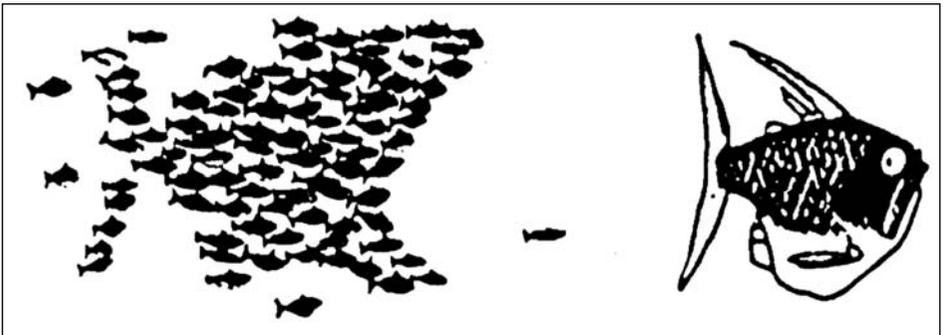
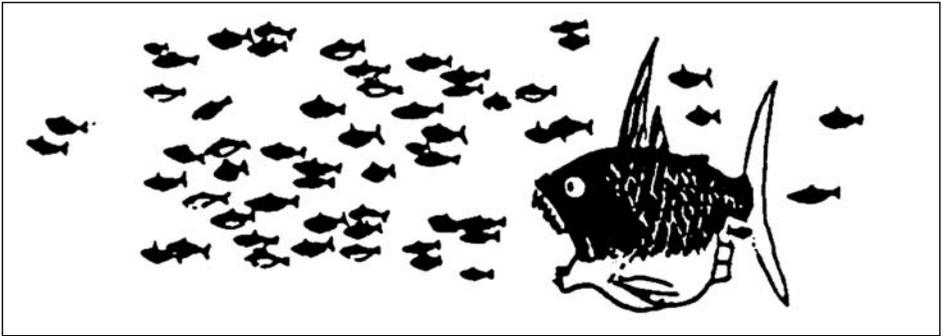




# How to set up a **Workers' Co-op**

Fourth edition - Summer 2015



[www.RadicalRoutes.org.uk](http://www.RadicalRoutes.org.uk)

# How to set up a Workers' Co-op

First edition written by Catalyst Collective Ltd in 1994  
and updated by Radical Routes Ltd in 2003.

Third edition written by Footprint Workers' Co-operative Ltd and Seeds for Change  
Lancaster Co-operative Ltd in 2012.

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# 1. Introduction

Taking control of our own lives is an important step in the fight against the massive injustices and ecological devastation facing the world. Big companies and unaccountable governments may rule the planet, but it doesn't have to be this way. Workers' co-ops give us a chance to change a small but significant part of how things are. They're one way to take back an important part of our lives and gain control over how we work, not to mention the impact our work has on others and our environment.

With this handbook, we want to inspire you to work co-operatively, to take control over your work life and change our society for the better, here and now.

Workers' co-operatives are a great way of doing that – they are businesses run democratically by the workers to provide themselves with meaningful employment and to provide a service to the community, rather than creating profit for a boss or unconnected shareholders. Any kind of workplace or service can be run as a workers' co-op, from

care agencies, printing presses, farms, accounting firms and bike workshops to shops, pubs and post offices.

There are also other types of co-operatives covering other aspects of life. Housing co-operatives provide secure, affordable housing; consumer co-operatives help people buy stuff or services in bulk; and social centres provide space for meetings, events and socialising. This book focuses on setting up a small scale grassroots workers' co-op in the UK. If you are interested in other types of co-ops look at our handbooks on how to set up housing co-ops and social centres or see materials published by Co-operatives UK.

## About this book

In this book you'll find lots of information you need to set up your workers' co-op. Roughly speaking, it's written in the order you'll be doing

things if you set up your workers' co-op from scratch, although some sections, like Chapter 12 – 'Working together', may be useful throughout the process.

We'll cover ways of making decisions, business planning (with info on tax, insurance and other details), organising your workplace and choosing the right legal form. At the end there's a list of where to get

help, complete with contact details and useful appendices, including a glossary for any technical jargon we couldn't avoid.



*The co-op hands logo, created by Calverts, a print & design co-op, is for use by all workers' co-ops.*

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## About the authors

This book shares decades of collective experience in setting up and running grassroots workers' co-ops. It is a collaborative effort of people involved in Radical Routes – a network of co-ops working for positive social change.

The first version was put together back in the mists of time by Catalyst Collective, and subsequently revised by Footprint Workers' Co-op, a printing business. The last edition was extensively updated with new model articles for workers co-ops, by Footprint and by Seeds for Change Lancaster, a workers' co-op providing training and set-up advice for co-ops.

All of the above co-ops are members or associates of Radical Routes, which publishes this book – you can find out more about them in Appendix I.

This edition has been further updated, with considerable input and support from Ian Snaith, editor of the Handbook of Co-operative and Community Benefit Society Law, who was most enthusiastic and a joy to work with.

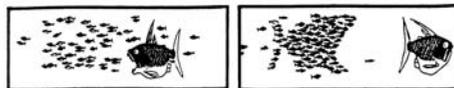
We'd also like to thank everyone else who has contributed to this guide – you are far too numerous to mention, but we really appreciate all your suggestions, ideas, help with checking stuff, editing and reading!

If you've got any questions or comments, we'd like to hear from you: Email: [enquiries@radicalroutes.org.uk](mailto:enquiries@radicalroutes.org.uk)  
Tel: 0845 330 4510.

With love from

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Footprint Workers' Co-operative Ltd  
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Summer 2015

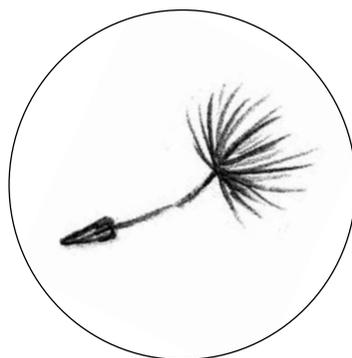
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## Some notes about changes in the law

This handbook was updated in June 2015 and obviously things like bureaucracy, the law and other regulatory stuff will keep changing. We've tried hard to make sure that the information in this book is correct at the time of editing, but please do check for up to date information when you set up your workers' co-op.

There are a couple of legislative changes that are currently happening and you should bear these in mind when reading this book:

### Co-operative and Community Benefit Societies Act 2014

This law has introduced a few changes to legislation around co-ops. The main one (as far as this handbook goes) is that Industrial & Provident Societies (IPSS) are now either Co-operative Societies or Community Benefit Societies. The law fudged whether existing IPSSs will still be called IPSSs or not, but if you're setting up a new co-op under what used to be called the IPS legislation, you'll be called a Co-operative Society. We have used that terminology throughout the book, but it's likely you will still come across people talking about IPSSs.

Don't worry if all this talk of IPSSs and stuff doesn't make sense – the different types of legal forms for co-ops are explained in Chapter 8.2.

## The Co-operative Societies Registrar

Technically there is no Regulator of societies, only a Registrar. This is different to Companies, which are both registered and regulated by Companies House. Since the last edition, the Financial Conduct Authority (FCA) has taken over the registration of Co-operative Societies (i.e. what used to be Industrial & Provident Societies) and the previous Registrar, the Financial Services Authority (FSA), has been abolished. We've used both 'the registrar' and 'the FCA' in this handbook, so you know who it should be, even if you come across references to the FSA in older publications.

Some time in autumn 2015, the FCA is due to publish its 'Guidance' on its Registration Function under the new Act. If you have any queries that this book doesn't answer about what the Registrar can do, finding the Guidance PDF online and looking through it may provide some clues.



## 2. What is a workers' co-op?

Remarkably, in 2015 in British law there is no definition of a co-operative. However, put simply, a co-op is a group of people that organise together, as equals, to help everyone in the group. A workers' co-op could be defined as a business owned and managed collectively by its workers for their mutual benefit. It's organised democratically and fairly by (and only by) its members.

### The **International Co-operative Alliance**

defines a co-op as:

*"an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise".*

Workers' co-ops differ from consumer co-ops, in that they are set up to benefit workers, not consumers. They're also different from employee-owned businesses (like John Lewis) since these aren't necessarily democratic and don't follow the co-operative principles and values.

All co-ops follow the seven internationally agreed principles of co-operation and a set of co-operative values.

Put simply, these are:

1. Co-op membership is open and voluntary.
2. Co-ops are controlled only by their members, who each have equal control.
3. Members have a fair stake in the co-op. Investment does not give control and only gives a small return.
4. Co-ops are autonomous and independent self-help organisations.
5. Co-ops educate and train their members so they can contribute to the co-op. We also inform the public about the benefits of co-operation.
6. Co-operation among co-ops benefits members and the wider co-op movement.
7. Co-ops act with concern for the community.

Co-ops are also guided by the co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity, along with the ethical values of honesty, openness, social responsibility and caring for others.

As you can see from the Co-operative Principles and Values, co-ops are by their very nature more than just about making money. In fact many within the co-op movement feel that the economics are purely a means to an end, and the socially useful and educational aspects of our co-ops come first.

Co-operative UK's guide 'Workers' Co-operative Code of Governance' explains the Co-operative Principles and how workers' co-ops can live up to the principles in practical ways.

## 2.1 Who can be a member? Who's the boss?

Workers' co-ops are based on the idea that a workplace should be controlled by those who actually put the work in and that everyone involved should benefit equally. Only workers may be members of the workers' co-op – there are no outside shareholders and no bosses taking decisions about the running of the organisation. It's up to all the workers to decide how decisions are made, as long as everyone has an equal say. Traditionally, this has been one-member-one-vote, but consensus (where everyone concerned agrees on the way forward) is becoming an increasingly popular way of making decisions among co-ops (see Chapter 4.2). All members have an equal say in running the business, including pay, working conditions and what to do with any profits. The people who know the business best are the ones looking after it, and nobody else can tell them how to do it or can profit from their labour.

In contrast to traditional workplaces, a workers' co-op tries to be a fair and empowering environment where everyone – and no-one – is the boss.

If you want to work with people instead of under or over them then you might find a co-op is better for you than a conventional company, or even a public sector or NGO setting.

In conventional businesses, the owners are shareholders, who appoint directors to manage the company on their behalf, and workers are just part of the company machinery. Wages (often only a fraction of the dividends or salaries

that bosses pay themselves) are the rent for your bodies and minds. In many such workplaces, hours are long, working conditions hard, and holiday and sick pay poor – all to maximise profit for the shareholders and directors. In these situations it's easy to see how co-ops can provide a fairer workplace than large corporations where the owners of the

company do not actually do much of the work.

However, workers' co-ops also provide advantages over small business models, where one or two owners employ a small number of people. Small businesses may have a more human face, but working conditions, pay, job security and employee democratic control are often even worse than in bigger businesses. At the same time it can be lonely for the employer shouldering all the responsibility, the workload can be intimidating and the number of skills to acquire prove overwhelming for one person alone.



Many people wanting to make a difference in the world choose to work in the public sector or for an NGO or charity. However, these workplaces can also come with a lot of frustration. Many use corporate style managerial structures and attempt to 'motivate' staff through fear – using targets, insecure and temporary contracts and internal competition to keep everyone on their toes and to make unpaid overtime the norm. Even where working conditions are better these workplaces are rarely democratic, and often the people making the big decisions are not the ones doing the groundwork of the organisation: teaching or nursing or whatever it is.

For many people, simply not having a boss or being a boss is reason enough to work in a co-operative! At their best workers co-ops provide a space for everyone to bounce ideas off each other, and to offer mutual support, appreciation and feedback. They can also provide the flexibility to accommodate each workers' needs and skills.

## **2.2 Creating meaningful employment and building a fairer society**

Workers' co-ops are not only a great way to reclaim control over our working lives, but can also provide us with meaningful work. We can decide to employ ourselves doing work that is useful in itself, like producing renewable energy or refurbishing unwanted bicycles, rather than living dead time in a call-centre, supermarket or corporate office.

Working for a co-op means that making money isn't the bottom line: we can integrate our political ethics into co-op decisions and channel any profits into our environment and communities. Co-operation doesn't just stop with how we relate to our workmates. Even in this capitalist system, we don't have to compete with other businesses, co-ops, individuals and community groups – we can work together along egalitarian, non-hierarchical lines. We can talk to other people doing similar things and work out how to co-operate, not compete. For example, growers in an area can co-ordinate their planting plans so that they each have the same vegetables ready for harvesting at different times, instead of getting a glut where no-one can sell at a fair price. Or a co-op can support the community with cheap resources like venues and vehicles as well as helping new co-ops set up.

Working for a co-op allows us to make a difference, here and now, by building better ways of making a living and better ways of working together. It isn't easy, but it is a step in the right direction, and gives us a chance to learn the skills in taking collective responsibility to build a better world.

## Case Study:

### **Birmingham Bike Foundry**

Birmingham Bike Foundry started with a love of cycling, a desire to remove ourselves from wage labour over which we had no control and a way to change how people interact with the city. Together we wanted to create something that went beyond the restraints of '9-5'. A radical, non-hierarchical workers' co-operative seemed like the obvious solution.

Meeting members of other established workers' co-operatives proved how successful grassroots democracy is within a workplace free from bosses. Their experiences, both positive and negative, have helped us to develop our own practice.

As we are reliant on the support and good will of our local community and wider co-operative and political support, we thought it was important for us to be able to be more than just a bike shop to members of the public. Our benchmark of success is not only financial viability, but making sure that we remain a democratic workplace which is rewarding to work in, and that we are contributing to the social revolution!

<http://birminghambikefoundry.org/>



## **2.3 A rich history**

Workers' co-ops draw on a rich history of people who were fed up with exploitation and poverty and who decided to make a new world for

themselves. Acting co-operatively is as old as humanity, but the idea of co-ops as we know them really took off during the industrial revolution, which had transformed society and threatened the livelihoods of many people. In the late 18th century, starving workers started up the first consumer owned co-operative shops, where they would buy in bulk together providing access to cheap, good quality food.

In 1844 a group of co-operators called the Rochdale Equitable Pioneers came up with six principles of co-operation which (with a few changes along the way) still guide and define the co-op movement today (see p9). It wasn't long before workers started applying the idea of co-ops to all sorts of areas in their lives, including control over their workplaces, providing housing, and creating their own savings and insurance societies. Many different types of co-ops have developed around the world and the International Co-operative Alliance (ICA) brings us all together.

## 2.4 Building a co-operative world

The principle of co-operation between co-operatives ensures that all co-ops share a commitment to support each other and build a co-operative economy. Workers' co-operatives have traditionally been a driving force for more radical co-operation and, in 2014, started the 'Workers Co-op Solidarity Fund', made up of individual co-operators subscribing for £1/week. It enables learning, communication and collaboration, support for new co-ops, help for existing co-ops and promotion of workers' co-op skills, culture and trading opportunities. See the advert on p 14.

The Co-op Marque, a logo for all co-ops to use, was launched by the ICA in 2013 to create a recognisable 'brand' for co-operatives and for the co-op movement. To apply to use it, go to [www.identity.coop](http://www.identity.coop) and follow the instructions. Use of the logo comes with an offer of 1 year free use of a '.coop' domain name (although the annual fee after that is more expensive than a .com or co.uk). We also recommend the workers co-op logo as seen on page 3 – there's no application process, just download it from [www.seedsforchange.org.uk/images/co-ophands.jpg](http://www.seedsforchange.org.uk/images/co-ophands.jpg)

### Case Study: Co-operators talk about why they work in workers' co-ops

*"I want to work collectively with other people for a better society. In a co-op I can put that into practice at work, and I don't have to wait for the weekend to live the way I want. No-one is using me to make a profit, I'm learning to work in a way that is more fair and equal, and we can try to make the decisions we think are right for ourselves and the wider community."* **Rhiannon**

*"Being in a co-op allows us to be flexible and understand each other's needs and any changes in our lives. When someone is in a difficult situation the rest of us are prepared to work harder to let them have what they need – whether that's taking time off, changing responsibilities or having flexible working hours. It can be hard at times to work out what is fair, but at least we can make decisions about it together and it's a lot better than leaving people to sink or swim unsupported."* **Jim**

*"I used to have a 'proper' job with a boss and so on and I swore I'd never go there again. I was in the public sector and we were all trying to do something good but that could get so squeezed out by targets and career ladders and managers feeling they had to throw their weight around. Working for a boss you are so at their mercy and whether they understand your work or even value what you're doing. My boss tried hard and meant well, but I kept finding myself having to do things I knew were a waste of time or cutting corners on the things that mattered just because she told me to, and it got really demoralising. Now I'm in a co-op, even if I'm not totally happy with a decision I know that I've taken part in making it, and I feel so much better."* **Lesley**

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Read more about SolidFund's vision, mission,  
purposes and policies at [s.coop/solidfundrules](https://s.coop/solidfundrules). Read the CICOPA  
World declaration on Worker Co-operatives at [s.coop/573](https://s.coop/573)  
Read the Worker Co-operative Code at [s.coop/workercode](https://s.coop/workercode)

Sign up at [s.coop/solidfundjoin](https://s.coop/solidfundjoin)

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together

## 2.5 Co-operatives are more stable and less likely to fail as a business

The failure rate among co-ops is actually very low, a tiny fraction of the 80% of new capitalist businesses that either give up or fail financially within the first couple of years of trading. Reasons for success include the greater support that a group can give each other, the wider pool of skills and experience they can draw upon, and help from other co-operative enterprises and support organisations. The social and educational aims of the co-op can produce a greater commitment from workers and more support from the wider community.

*members run the risk of replacing exploitation by a boss with a mentality of self-exploitation.*

## 2.6 Common difficulties for co-ops

Of course it's not always easy to work in a co-op. Most co-ops will experience problems over the course of their lives. For example, democratic decision-making can take up a lot of time and energy unless you work out a good decision-making process and learn how to use it efficiently. Group dynamics are sometimes tricky to handle – running a business has very different demands from friendship and can cause problems you might not foresee. Membership is theoretically open to all employees, but in reality you may have a need for short-term or casual staff, or find that some employees don't want the responsibility of membership.

### Case Study: Mondragon

The MONDRAGON Corporation is a federation of workers' co-ops, based in the Basque region of Spain. Founded in the town of Mondragon in 1956 to deal with poverty and hunger in the aftermath of the Spanish Civil war, the founders wanted to create employment based on solidarity and participation. Currently the federation is the seventh largest Spanish company in terms of turnover, and the leading business group in the Basque country. At the end of 2009, it was providing employment for 85,066 people working in 256 companies.

The Mondragon co-ops are united in a set of co-operative principles: they are owned by their worker-members and power is based on the principle of one person, one vote. Mondragon has been very successful in its aims to reduce unemployment in the area. However, they have also been criticised for being very hierarchically organised, for ecologically unsustainable business practices and for outsourcing manufacturing of goods to countries with poor labour rights. It is a common problem that as co-ops get bigger, their politics tend towards mainstream capitalism. And co-ops are only as ethical/political as their members.

[www.mondragon-corporation.com](http://www.mondragon-corporation.com)

Co-ops can struggle to pay their workers a sustainable wage, and members run the risk of replacing exploitation by a boss with a mentality of self-exploitation. In addition, surviving in a capitalist market whilst sticking by our ethical and political beliefs can be a real struggle, not just economically but also personally. Sometimes difficult compromises have to be made, and this can be emotionally challenging.

On top of all of this are all the problems associated with making a business work: learning the skills, making money, keeping going...

We hope this book will provide you with some of the knowledge you need to start your co-op on a long, successful and largely enjoyable journey.

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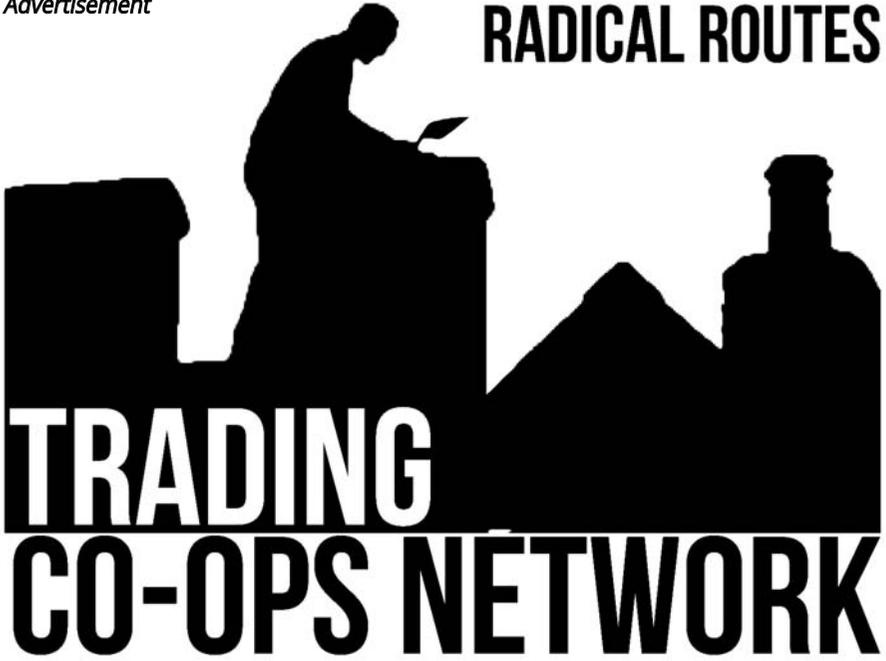

Hackney Co-operative Developments provide support co-operatives looking to set-up or to grow including registration, business planning, governance, finance, environmental sustainability, fundraising, legal, marketing, property management, investment readiness, decision-making, social return and Community Share Offers.

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**RADICAL ROUTES**



# TRADING CO-OPS NETWORK

Radical Routes is a UK-wide federation of co-operatives run on the principle of mutual aid.

The network makes loans and offers other support to member co-operatives to enable them to buy their own houses, run their own social centres and set up non-hierarchical workplaces.

The RR Trading Co-ops Network has been set up specifically to encourage the establishment of new workers' co-ops and other co-ops and to support those which already exist.

The TCN operates a forum via email list and open meetings at RR quarterly gatherings and TCN members are listed in the annual directory flier and on the RR website.

---

radicalroutes.org.uk/trading-co-ops-network  
enquiries@radicalroutes.org.uk  
0845 330 4510

## 3. Your co-op idea

Starting a workers' co-op is both exciting and rewarding, but it is also full of challenges. It is like setting up any other business, except you're doing it as a collective or team. Don't underestimate the huge amounts of time, commitment and learning that setting up a business can take!

### 3.1 What are your aims?

A good place to start is by coming to an agreement on the aims and purpose of your co-op. You will all have unvoiced expectations – and you can't simply assume that a friendship or shared politics – or both – mean you have the same aims for the co-op. The sooner you all agree on exactly what it is you are trying to do, the sooner you can decide whether you should set up a co-op together at all.

It is best if everyone can think about their personal aims and needs before discussing them together. What motivates you, what do you have to offer, what do you need from the job in terms of work/life balance and pay in the short and long term?

Thinking about these things puts you in a stronger position to point the co-op in the direction that is right for you. You might also realise that the project as a whole is not right for you. Sometimes, people are so excited by the thought of being part of a workers' co-op that their judgement gets clouded. If a particular

project doesn't feel right, it might make sense to hold back and wait – there will always be other opportunities, and going into a project which is wrong for you will help neither you nor the co-op in the long run.

Once you are sure where you stand as individuals, it might be helpful to work through the following questions together:

- What are your aims? What do you want to achieve in the short, medium, long term?
- What is the product or service you are selling or providing?
- What's the benefit to you, your co-workers and the wider society?
- What are your ethical principles or guidelines?
- What are the resources / skills / qualifications needed to achieve your aims?
- How many people and who? Paid? Unpaid? Volunteers?

In most cases you will need to find a balance between what you ideally want to do and what you can actually make a living out of. Be prepared to review your ideas when you have more information on what is financially viable (see Chapters 5 and 6 for more on this). You should also review your aims as new people join, and as you make new discoveries about what you are good at and enjoy.

### 3.2 A workers' co-op – the right choice for you?

There are many different types of co-ops and community projects – workers' co-ops are just one of them. Once you've worked out what the aims of your project are, have a think about whether a workers' co-op is the appropriate choice or whether you should be a different type of co-op (NB: These different types of co-op aren't defined in law. What kind of legal form you take is a very different question which we get to further down the line, see Chapter 8.2 for more on this).

**When trying to decide between these different options, ask yourself the following key questions:**

- What is the aim of the project?
- Who is involved in the project?
- Who benefits from the project?
- Who should be involved in each level of decision making?

Options for co-ops include:

- **Workers' co-op:** owned and controlled by its staff. Only those working for the co-op are members. The co-op exists for the benefit of its workers. For example a shop or a factory owned and run by the people who work there. Traditionally this has meant employees of the co-op, but can also be unpaid members or self-employed members operating in a 'co-operative consortium'.
- **Service co-op** (also known as a co-operative consortium): owned and controlled by people or organisations who use the services provided. The co-op exists for the benefit of the service users, often sole traders/freelancers. For example, marketing co-ops where farmers collectively market their products, therapy centres that provide rooms for therapists or actors' agencies which handle promotion, bookings and payroll. Members are involved by paying for the service, although this payment may be something other than cash, for example doing a share of the work of the service co-op.
- **Consumer co-op:** owned and controlled by its customers (consumers). Only customers of the co-op can become members and make decisions, and the co-op exists for their benefit. The consumer co-op may employ paid staff to do the work of running the business. The Co-operative Group supermarkets are a prime example of this. Some smaller consumer co-ops require each member to do a share of the work in return for access to the consumer goods that the co-op is providing.
- **Housing co-op:** owned and controlled by the tenants. The co-op exists to provide housing for its members.
- **Credit union:** a form of financial co-op owned and controlled by people who save with it. The co-op exists for the benefit of savers and borrowers.

- **Community co-op:** owned and controlled by members of a community (whether geographical or a community of interest) who are shareholders of and/or take part in a business that involves the whole community or a large part of it, like a community-owned shop, pub or village hall.
- **Multi-stakeholder co-op:** The co-op is owned and controlled by two or more classes of members, who might be staff, users, neighbours, suppliers – anyone who is involved in what the co-op does and how it does it. For example a school (members may be teachers, cleaners, governors, parents and children’s reps) or a care home (members are residents, staff, relatives – maybe even social services officers).

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## What kinds of businesses can be run as workers’ co-ops?

Any type of business could be run as a workers’ co-op, whether small or large and whether staffed entirely by paid staff or volunteers or a mixture of both. In practice they range from just two workers to hundreds. In the UK there are around 400 workers’ co-ops and you can also find them all around the world. Here are some examples of workers’ co-ops:

- **Groups which make and/or sell stuff together:** e.g. a wholefood wholesaler, printers, an engineering business, a bike shop, a computer repair company, caterers, web hosting services, breweries.
- **Individuals who provide a service through a collective:** e.g. designers, cycle trainers, care workers, artists, plumbers and electricians, outdoor activities instructors, IT support workers, community development workers, artists, taxi-drivers, funeral directors.
- **Land-based and property-based groups:** e.g. fruit and veg growing and veg-box schemes, woodland management and wood products, hostels and camp-sites, colleges and education centres.

## Case study:

### How different organisations decided what kind of co-op to be



#### Single Step Wholefood Shop

*We are a workers' co-op running a wholefood shop. Our aims are to provide meaningful and enjoyable employment for ourselves, whilst providing a service that's beneficial to the local community and the environment (selling ethical produce at reasonable prices and providing a service that the community wants). We are a workers' co-op because only the workers are involved in decision-making, as we believe that the people carrying out the work are best placed to make decisions and that workers should have control over their workplaces and working conditions. However, we do take on board suggestions and ideas from our customers and suppliers.* <http://singlestep.org.uk/>

#### Seeds for Change Lancaster

*We are a workers' co-op that provides training and support to help people organise for action and positive social change. One of our main aims is education – which means that we could have set ourselves up as a charity. However, we decided to be a workers' co-op because we, the people carrying out the work, wanted to be in control of our workplace. With charities, the workers are not allowed to be on the board of directors, and they are not allowed to benefit from the charity. We can still get grant funding from most funders, as we have made sure that our constitution states that we are not-for profit and we have charitable aims.* [www.seedsforchange.org.uk/](http://www.seedsforchange.org.uk/)

#### Leeds University Student Union Green Action

*Our group's primary purpose is to provide good, cheap food to students. We don't get paid and we want to try and get all the people getting food from the co-op to be involved in running it. That's why we've decided to set up as a consumer co-op rather than a workers' co-op.* [www.greenactionleeds.org.uk/about-green-action-food-co-op](http://www.greenactionleeds.org.uk/about-green-action-food-co-op)

**If you need help deciding what type of venture you want to be then your local co-op development body (CDB), Radical Routes and Co-operatives UK will be able to help.**

## 4. Getting your co-op together

Working together is what being in a workers' co-op is all about. But as well as being fulfilling and rewarding it can also be a big challenge! Shared responsibility is something most of us have to learn to do: it's not as simple as calling yourselves a co-op and then assuming the rest will follow.

When you are first getting excited about your idea it is hard to think seriously about how you will work together, and how it will be different from being friends. We've included this chapter near the beginning of this book because some of the most important decisions have to be made at the outset, so it's good to think about how to make them early on. Chapter 12 has more in depth advice on issues like conflict, informal hierarchy, communications and on-going staff development, which you may find useful at this stage too.

### 4.1 Finding the right people

The success of your workers' co-op depends hugely on the people involved in it. Your commitment and skills and how well you work together when the going gets tough are all at least as important as your business idea. When co-ops fail it is often because the mix of people involved didn't work.

So how do you find the right people? Some of the things to look out for are:

#### **Commitment to the aims and values of the project**

You must all be pulling in the same direction. Do you fully agree about the aims of the co-op? Do you share the same values? For example, are you all committed to running a vegan shoe factory, or do some of you want the raw materials to be as local as possible even if that means using leather?

*Shared responsibility is something most of us have to learn to do*

There will be lots of difficult ethical decisions to make, so it's vital to commit to some shared underlying principles right at the beginning. Be honest, open and clear about what those principles are, and what concessions you're prepared to make. Don't just assume people will come round to your way of thinking, or kid yourself into believing you'd be happy doing something you oppose, or that you'll just sort things out eventually. You may all be happy to make certain compromises, but try to work out what they are right from the beginning. It will become even harder to deal with conflicting ideas when you have already invested a lot of time and energy in the project, so the sooner you can have these conversations the better.

## Commitment to co-operation

Running any kind of business is hard work. In a co-op, you have the added responsibility of maintaining a positive, co-operative relationship between members. We have all grown up in a society of hierarchy and competition: some of us find co-operation harder than others, some of us find the responsibility more stressful than having a boss. Obviously, there are a lot of benefits to working in a co-op, but if you recognise from the start that it won't always be plain sailing, you can be prepared for when the going gets tough. A commitment to co-operative working, collective problem-solving and a recognition that everybody is different (and does things differently) will help your co-op. Look at Chapter 12 for more thoughts on how to make this work.

## Initiative and willingness to work hard

In a workers' co-op there's no boss telling you what to do, when or how. Members have to organise themselves and have a responsibility to other members. You need to be able to motivate yourself, to get stuff done to a reasonable standard, turn up to work on time and be willing to put some extra hours in when needed – often unpaid (at least in the early years).

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## Practical skills

You need to make sure that together you have the general skills needed to run your business, such as dealing with customers, business planning, marketing, admin, book keeping and cleaning. You'll also need specific skills for your project such as cycle mechanic skills for a bike workshop or knowledge of nutrition for a wholefood shop. This might also include an understanding of consensus decision-making if that's how you are planning to make decisions (see Chapter 4.2 below). If you are lacking core skills, then go out and learn them, either from each other, from other co-ops or on courses. With skills that are less central to what you do you, you might decide it is more efficient to buy in help.

## Eligible for membership

As well as being committed and capable, you should check whether everyone is actually eligible for membership. In workers' co-ops the most important condition is that a member actually works for the co-op – often defined as working for the co-op for a minimum number of hours per week, month or year. Some co-ops set this at a nominal level (e.g. 1 hour per week) while other co-ops feel that this goes against the spirit of workers' co-ops and that to be a member you need to genuinely work a reasonable amount, for example a minimum three days per week.

This, and any other criteria for membership should be defined in your constitution and possibly your secondary rules. Defining 'work' in your secondary rules is also a good idea, for example, does unpaid voluntary work count?

## Deciding who's in the co-op

This is the tricky bit! Many co-ops start out as a group of friends, and this can make it doubly hard to be honest with each other about whether you can actually work together in the stress of running a business or whether you each have the skills, motivation and values needed for the job.

It's sensible at this stage to draw up a job description and person specification just as you would if you were taking on new people in an established co-op. You need to be honest with yourselves about

whether you meet the requirements, and if not, whether you can pick up the required skills.

Some start-up co-ops treat all founder members as probationary members for the first few months, making continued membership conditional on meeting certain standards, such as the skills, qualities and attitude required to do the job well. It's a good idea to set a time frame for a review to work out where people need to develop skills or do things differently, and whether anyone is totally unsuitable and might need to leave the co-op. This may be a painful process, but it will hopefully mean setting up a more solid co-op.

## Ongoing reviews

Making sure that you are the right people for the job and for each other is an on-going process. See Chapter 12 for more details on staff development and reviewing each other's work.



*It's sensible at this stage to draw up a job description and person specification just as you would if you were taking on new people in an established co-op.*

## 4.2 Working out how to make decisions

People often think more about what decisions get made rather than how they are made. Yet one of the things that makes a co-op more than just a business is the fact that you are trying to work together as equals. This means equal involvement in decision making, so everyone has the same level of control and responsibility over what the co-op does. Below we have described the two main ways co-ops make decisions: consensus decision-making and voting. Another important thing to think about is who gets involved in what decisions, and how you divide up roles: some thoughts on this follow later on.

### Voting

Voting is the common way to make formal decisions, and in a co-op each member gets only one vote to ensure equality. Decisions are made through a direct vote by the people affected, which ensures that decision making power is distributed equally without giving any group member an absolute veto. When group members disagree, majority rule provides a way to come to a decision.

Critics say that in a vote what the majority wants can be seen as what everyone wants, and any minorities have to accept and carry out a decision, even if it goes against their own needs, beliefs or desires.

Another problem that you may encounter is that of a group splintering into blocs of different interest. In such cases decision-making can become highly competitive, where one group's victory is the other group's defeat.

*One of the things that makes a co-op more than just a business is the fact that you are trying to work together as equals.*

Many groups using direct voting are aware of these potential problems and attempt to balance them with respect for people's needs and desires, spending more time on finding solutions that everyone can vote for or pro-actively protecting minority interests.

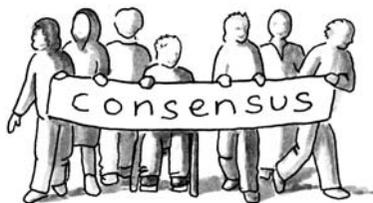
### Consensus decision-making

Consensus is the decision-making process of choice for many co-ops. The Radical Routes network of co-ops operates by consensus and strongly encourages this form of decision-making amongst its member co-ops.

A group using consensus is committed to exploring an issue and people's responses to it until they come up with a solution that everyone can actively support, or at least live with.

Big decisions made in your workplace can have a significant impact on your life, and in a voting system it is possible for the group to ignore an unhappy minority. In consensus everyone has a right to block, or veto, a decision they have a serious problem with: anything so fundamental that they fear for the future of the co-op or feel they'd have to leave if it went ahead.

This means the group has to find ways of addressing major concerns, and ideally minor ones too! There may sometimes be compromises, but the aim is to find win-win solutions that put together the best of everyone's ideas, taking into account a wide range of perspectives. This should mean that people are left with a much deeper commitment to each other and to implementing the decisions that have been made: if you've worked together to decide what to do you are more likely to work together to do it.



*If you've worked together to decide what to do you are more likely to work together to do it.*

Making decisions by consensus can be time-consuming because it usually takes longer to find a solution which everyone will be happy with than it does to satisfy a simple majority of people. The counter-balance is that if you do consensus well you gain the time you might have wasted re-visiting decisions that people weren't happy with and so weren't put into practice. It's also worth saving time by thinking hard about who gets involved in making what decisions and how you run your meetings.

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Whether you use consensus or voting, the key is that you balance a need to get decisions made quickly with respect for everyone's needs, opinions and wishes. Below we have included some tips on how to divide up responsibilities and how to run your meetings in a way that is both efficient and democratic. For more information see the Seeds for Change resources on consensus and facilitation at: [seedsforchange.org.uk](http://seedsforchange.org.uk).

### **4.3 Sharing out roles and responsibilities**

Being in a co-op means you take shared responsibility for what the co-op does. This doesn't mean that every decision needs to be taken by everyone together; especially as the co-op gets bigger this would make your meetings unmanageable. Instead, share out responsibilities and give individuals and groups a clear remit so that they remain accountable to the co-op as a whole. Make sure that everyone is involved in important decisions which affect all of you, and think about how to divide up your work without giving some people more power than others.

#### **Working groups**

When you can divide up tasks, you need to trust small groups or individuals to get on with the section they have taken on. This trust can be easier if you also agree deadlines and rough guidelines on how the task should be done. Some co-ops split into different groups as a long term organisational strategy – one group growing vegetables, another processing them and a third group doing deliveries.

Others do this on a temporary basis: taking on a particular role to organise one event, for example.

The next question is how to make working groups accountable to everyone else without wasting lots of time. Together, work out which decisions are so important that you need to all be involved in making them, and which decisions can be made in working groups alone. Some working group decisions you will want to ask everyone else about, some you will want to tell them about, and some you can just get on with without any communication at all. For example, the whole co-op might create guidelines for the kinds of suppliers you consider ethical and then let the relevant group find a range of options and present back suggestions about which are the best. From then on, day to day ordering could be recorded, but needn't be an issue for a meeting.

#### **Dividing up roles and co-op dynamics**

The way you divide up roles can sow the seeds of future problems if you're not careful. If some people do all the 'responsible' tasks and other people do all the boring bits, it becomes more difficult to feel you're all equal. When one person or group consistently takes responsibility for a vital task or business area, then it's easy for dependence on that person or group to grow, and for informal hierarchies to become established (see Chapter 12 for more on this). At the same time, be aware that tasks can fall through the gaps so we recommend being as clear as possible about who is responsible for what.

Some co-ops avoid this by rotating tasks. A new member might divide their working week between different areas, or spend a while in each area of the business getting to know how it works and how everything fits together. Other co-ops have core work which is shared between everyone, and then more specialised tasks which are divided up on a more long term basis. For example, in a bike co-op everyone might fix bikes and deal with customers and facilitate meetings, but individuals might be responsible for maintaining the computer or ordering specific stock.

The extent to which you rotate tasks will depend on your circumstances: how big your co-op is, what you are doing and how realistic it is for people to gain the specialised skills needed for each area of work. Even if you don't use a rotation system, you can still think about the balance of each person's job and fairly share out responsible, menial, fun and boring tasks.

### **Roles and officers**

As well as the work roles that you need to divide up, you also need to appoint officers: at the very least directors and possibly also a chair, treasurer and secretary. Exactly which of these official roles you need is set down in your constitution. Appointing someone to one of these roles means they become legally responsible for this area of work, although in practice you can choose to share the workload. However, if you do delegate certain jobs then the relevant officer may still want to check that the job has been done properly, to cover themselves.

The table below shows what officers each legal form usually has, but in the text we'll just refer to them as directors. For more on legal forms, see Chapter 8.

<p><b>Company</b> Directors, sometimes secretary</p> <p><b>Co-operative Society</b> Directors or committee members: secretary, sometimes chair and treasurer</p> <p><b>Limited Liability Partnership</b> Designated members</p> <p><b>Partnership</b> Not incorporated, all members (partners) responsible.</p>
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**The secretary** is responsible for dealing with the paperwork of meetings (giving notice of meetings, making sure minutes are kept), annual legal reporting, the accounts and membership lists.

**The treasurer** keeps an overview of the financial situation, staying on top of accounts and the cash flow of the co-op.

**The chair** may preside over and direct any meetings.

All directors have certain legal obligations: keeping up with registration and accounting, and making sure the co-op is run properly.

## Making decisions in larger co-ops

Once a co-op reaches a certain size (often somewhere between 6 and 20 people) it can be too cumbersome to have everyone involved in all decisions – even to discuss issues that affect everybody. The traditional way of dealing with this is to elect a management committee to make decisions on everyone else's behalf.

A more democratic option is known as a spokescouncil – discussions and information sharing happen in the working groups, who then communicate with each other via a spokescouncil, with spokespeople from each group. Spokes are often rotated and don't make any decisions unless their group has explicitly allowed them to. More detail on this way of making decisions can be found in the *Consensus Decision Making* guide from Seeds for Change: [www.seedsforchange.org.uk](http://www.seedsforchange.org.uk).

## 4.4 Having good meetings

Meetings are probably the most effective way of getting a group of people involved in a decision, and are pretty essential to setting up and maintaining a co-op. At the same time, there are plenty of people who prefer to avoid them.



*Meetings  
are probably the most  
effective way of getting a  
group of people involved  
in a decision*

To keep these people on board (and for everyone else's sake as well) it is worth working on making your meetings as efficient and enjoyable as possible. A good starting point is to avoid micromanagement by being selective about which issues need to be discussed by everyone, and which can be decided by those working in those areas of the business. We've included a few tips for running good meetings below, and you can find more resources at [www.seedsforchange.org.uk](http://www.seedsforchange.org.uk).

## Get good at facilitation and minutes

**Facilitation** is about enabling a meeting to achieve its objectives: both making good decisions and building good relations. The role of the facilitator is different from that of a traditional chair in that it doesn't give you any extra power in what decisions get made. At the same time it is about much more than looking round a meeting to see who wants to speak. Facilitators are proactive about giving everyone the chance to participate, and making sure that everyone's views are taken into account in the decision. They help to structure the discussion so it doesn't go round in circles and offer summaries so that people can stay focussed. They also help the group address aggressive or dominating behaviour and conflict.

**Minute taking** is an equally vital role. You can decide how comprehensive you want minutes to be, but at a minimum make sure you clearly record decisions you've taken, and keep the record where everyone has access to them. The minute taker can play a useful role when a proposal is put forward for consensus or a vote: read out the exact words they've written down, and make sure that all the details are clear and everyone is happy with them. This may seem pedantic at the time, but it is amazing how often two people walk out of the same meeting with a different idea of what has been decided!

### **Good relationships make for good meetings**

Depending on the nature of what you are doing together you may have lots of opportunity to get to know each other and have fun as people, or you might rarely be in the same space together. If you don't spend much time working together you might want to schedule in some social time with each other. Getting to know each other as people can help avoid misunderstandings – it's much easier to talk to people you know personally, and to understand reasons behind their behaviour.

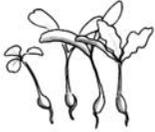


You could also think about how to bring a little bit of your personal lives into your meetings: you could start meetings by going round the group and asking how everyone is feeling, or including social time beforehand or afterwards, such as sharing a meal, playing a game or going to the pub. When making big decisions it is often helpful for everyone to air their feelings about the issue first – this gets everyone into a more receptive frame of mind for coming up with practical ways forward.

### **Practicalities: time, venues and information sharing**

*You could start meetings by going round the group and asking how everyone is feeling, or including social time beforehand or afterwards, such as sharing a meal, playing a game or going to the pub.*

It is an obvious point, but if you choose a meeting time and place that works for everybody, people are more likely to come. Having said that, it can be hard to find a time that works for everybody! Some groups try to vary their meeting time so that it isn't always the same people who are inconvenienced, others find it better to keep it regular so that people remember. You might want to think about how you can accommodate the needs of people who find it more difficult to get to meetings, e.g. paying any extra childcare costs if you meet outside work hours.



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- ★ principles and history,
- ★ setting up and running a workers' co-op,
- ★ working out your co-op idea and aims,
- ★ organisational structure,
- ★ how to make decisions by consensus
- ★ and having effective co-op meetings.



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Make sure your meeting space is warm, light and comfortable, and that in a longer meeting you take enough breaks and eat enough food to keep yourselves going. It can be tempting to press on to get finished, but you will come to better quality decisions (and so are less likely to revisit them) if everyone is physically well looked after.

People need to have enough information to be able to make good contributions to a meeting. It is good practice to put items on the agenda in advance, along with any necessary information and background, so people can start thinking about stuff before they come.

If you have proposed an agenda item then be ready to offer a summary of the key information needed. After the meeting make sure everyone can access the minutes, including anyone who wasn't there.

### Dealing with conflict

We have included information on **dealing with conflict in Chapter 12**. However, starting up can be a tricky time: you may not know each other very well and you may have different (and unvoiced) expectations of what the co-op should be and what is meant by working co-operatively. The more you can think things through in advance the better, so it's worth having a look at that Chapter 12 now!

# 5. Your business plan – part 1

A business plan is a formal document setting out your goals and how you're going to achieve them, including how it will all be financed. Although it may feel tedious, writing a business plan is highly recommended – it helps you to think through the details of your co-op idea and clarifies exactly what you have to do to make it a reality. It will also show up any shortcomings or potential problems and allows you to make mistakes on paper rather than in reality. You'll need a business plan to show to banks and potential investors and for some types of grant funding.

Make your business plan comprehensive and respectable looking, and use clear language and structure. There are plenty of examples and guides for writing business plans on the web and in libraries. It's also very useful to look at the business plan of a similar established workers' co-op.

Creating the business plan should involve all members – it's a vital stage in developing a shared understanding of what the co-op is about and how it will be run. Pin down any disagreements and find solutions to them. Write down any agreed decisions for the benefit of your own clarity.

## **A business plan should include:**

- **Summary:** a quick overview of the whole document.
- **Aims and objectives of your co-op:** what does your business want to achieve?

### **Case study:**

#### **Bartleby's Brewery Ltd.**

It's good to get a business plan down even if you still have lots of questions you don't have answers to – like how much rent you'll pay, for example. We put off making a plan for ages because we felt we didn't have enough info, but when we did it we found it really helpful – despite the gaps in our knowledge. In fact, it helped us see more clearly where those gaps were and what we needed to do to fill them.

<http://bartlebysbrewery.com/>

- **Information about the proposed co-op members:** their relevant skills and experience, contacts etc., anything which shows that you have the necessary qualifications to make the co-op work.
- **Description of your proposed product or service.**
- **Information about the 'market':** size, condition, customer profile, competition, method of sales, promotion and advertising plans, pricing structure with comparisons to the rest of the sector.
- **Details of your proposed operations:** your premises (where, cost, services), personnel required, suppliers and their terms, equipment, legal aspects such as insurance, licenses, planning permission.



- **Ownership and management:** details about your co-op structure, how the co-op will be managed, how decisions will be made and by whom, a breakdown of all the job areas and job descriptions for all the roles.
- **Financial information:** your start-up costs, running costs, proposed wages, anticipated incomes, etc. Use this to produce a monthly cash flow forecast for at least the first year of trading (some lenders will want to see 2 or 3 years) and a profit and loss forecast with a statement about all the assumptions it's based on. Include contingencies in every area to cover unexpected costs. While you need to show confidence in your business, unrealistic projections are likely to do more harm than good. It's safer to be a bit pessimistic than wildly optimistic.
- **Sources of start-up finance:** grants, loans, investment, donations etc.
- **An idea of your long term plans:** what the co-op plans to achieve.
- **Exit strategy:** how you will deal with things going wrong.

The plan might also include an explanation of your co-op structure and how all employees have an interest in seeing the business succeed because they are all members or directors. Many conventional financial institutions still have little experience of co-ops, so an explanation may be particularly useful if you are using your plan to borrow money.

We're not going to provide a comprehensive guide to business plans, and the contents of your plan will depend entirely on you and what you decide is important. But we will go into a bit more detail about some of the issues you need to work out.

It's important not to forget that a co-op is a business, so there is an element of risk. Although we may view our co-op as 'alternative' it would be foolish to completely ignore conventional business tools. There are practices we can adopt to minimise the risks and increase our economic security.

As well as talking to a co-operative development body you may also be able to get local enterprise advice and support. Most towns have organisations who can help with practical things like book-keeping, even if they don't understand the ethics and practicalities of a co-op.

Radical Routes may be able to help your co-op develop a business plan and Catalyst Collective and Co-operatives UK have listings of co-op development organisations around the country.

## 5.1 Market research

This is an important step in working out whether your co-op idea is viable. Find out everything you can about your proposed area of business activity:

- What are the market conditions? Does your product satisfy or create a market need?
- Can you identify potential customers? How will you supply what they want to buy?
- What competition will you face? Why will people buy from you, e.g. is your product or service unique, distinct or superior to those offered by competitors?
- How does trade work in your chosen sector? Who are the suppliers?
- What staff, facilities and equipment are required?

- Is the product safe?
- Does your product or service comply with relevant regulations and legislation?
- Can you sell the product or service at a price that will give you sufficient income?

How much research you do will depend on the time and funds you have available. You could:

***SWOT analysis:  
list your co-op's  
Strengths and  
Weaknesses and then  
the Opportunities and  
Threats from the  
outside world.***

- informally canvass the opinion of friends;
  - talk to industry contacts and colleagues;
  - survey the public about whether they would use your product or service;
- ask customers of competing products what improvements they would like to see;
- set up focus groups to test your product or service;
- monitor what your competitors are doing;
- look at what has and hasn't worked in your industry or market niche;
- study wider economic and demographic data.

Many of the answers will be estimations based on facts – be realistic. You could do a SWOT analysis to help you make sense of your research. This involves using the data to list your co-op's Strengths and Weaknesses and then the Opportunities and Threats from the outside world.



*But if we had rented a smaller office we may have been able to get some tables and chairs*

## 5.2 Choosing a name

Choosing a name for your co-op is a creative and fun process. It is also one that you need to get right. Customers may infer a lot from your business name and first impressions count. Take into account the information from your market research and make sure that your name will appeal to your intended customer base.

Your name should work well wherever you use it – on the phone, in your logo, on signs, stationery, advertisements, website, email and any other media you plan to use. Think about callers and customers – avoid very long names, strange wordings and unusual spelling, (just try saying “Good morning, Armoracia Plant Supplies, Liz speaking,” repeatedly on the phone).

If you’re planning to advertise in directories such as the Yellow Pages, think about using a name that appears near the beginning of the listings for your type of business, so one that begins with the letter A. Note that there are rules that could affect your choice of business name. For more information on business names, see Chapter 9.1.

## 5.3 Choosing your premises

This is a key decision: you want premises that help you operate effectively without excessive costs. You also want to avoid being tied to premises that might not suit you in the future.

### Requirements

Draw up a list of what you need for your co-op to work: size and layout of the premises; internal and external structure and appearance; facilities for workers and visitors – including lighting, toilets and kitchen facilities, utilities (power, drainage, water, waste disposal, special requirements); permission (including planning permission) to use the premises for your type of business; access and parking space – for deliveries or customers, including disabled customers; environmental features or potential; flexibility to alter or expand the premises; compliance with Health and Safety regulations, etc. You may need to modify your first ideas when you start looking at what is available in your price range, so it is worth getting clear which of these things you really need and which you just want.

## Costs

Costs vary from building to building. Regardless of whether you buy or rent, you need to find out costs for the following:

- alterations, fitting out and decoration to make the premises fit for work and to meet building, health and safety and fire regulations;
- service and utility charges, including water, electricity and gas;
- business rates (you may be eligible for a 100% discount – contact your local council);
- continuing maintenance and repairs;
- building and contents insurance.

## Location

Location has a major impact on cost, so consider whether the extra costs of premises in a prime location are justified; e.g. a shop or café will rely on passing trade, so a prime location is more necessary than for a brewery. Think about how accessible it would be for your workers and suppliers and whether there is public transport and local (bike) parking. You may not want to be too near your competitors, though clusters of similar businesses sometimes attract more customers. Your neighbours and your location will also affect your image.

## Working from home, renting or buying?

### *Working from home*

Working from home is a very cheap option if all you need is a small office space or you spend most of your time working at clients' premises. However, this might not be possible if your lease, mortgage or insurance doesn't allow you to use your home as a work place. You might need planning permission, or you may become liable for business rates and capital gains tax (see Appendix 2, H 'Other Resources' for links to UK government sources of information). It's also worth

thinking about how working from home might affect your family and private life.

*Think how working from home might affect your family and private life.*

### *Renting premises or land*

It's worth asking any social centres, community centres or other co-ops in your area to see if they have space.

Otherwise check out the local commercial estate agents. Most commercial premises are **leased** – this means you agree to occupy the premises for a fixed number of years (generally 5, 10 or 15 years) and pay an agreed rent, though the lease may allow the rent to be reviewed periodically. Sometimes you may also have to pay an upfront premium to purchase the lease. Some landlords ask for a refundable deposit. There are many different types of lease: read yours carefully and get advice from a solicitor. You may have significant maintenance and repair obligations, not just for your rooms, but for a share of the whole building.

There may also be restrictions on what activities you can carry out on the premises or whether you can sub-let. If your needs change you may want to move before the lease ends, which could prove expensive if you have a long-term lease without a get-out clause.

Some properties are available on flexible, **short-term licence agreements**, allowing you to rent the premises for minimal up-front costs – typically, a refundable deposit equal to one or two months’ rent. Although you must keep the premises in good order, you are not responsible for structural repairs. The downside of this is that you have no security, as the flexibility goes both ways and the landlord may decide to give you notice.

If you rent or lease, make sure you get a written contract rather than a verbal agreement – this can help you avoid so many problems in the future!

### ***Buying premises or land***

Land-based workers’ co-ops particularly may decide that buying (or a very long lease-hold) is the best option, for example if your business plan involves planting trees and harvesting them in 20 years’ time. Buying gives long-term security – you can stay there as long as you like, you can do what you like within the regulatory and planning framework and you’ve got relatively fixed monthly costs, e.g. for a mortgage or loan repayments. A long way down the line, once you own the property or lease-hold outright, you can use it as security to raise further money.



On the downside, buying property is an expensive and often time-consuming process, involving significant professional fees and stamp duty. You’ll also be responsible for all the maintenance and repairs. If your needs change, selling the property can be difficult and expensive and you might find that the value has fallen.

As with renting and leasing, make sure you get the legalities sorted out and register your ownership of the land with the Land Registry.

You can find more information on buying premises in the Radical Routes booklet, *How to Set Up a Social Centre*.

You may be able to claim capital allowances towards the cost of renovating or converting your business premises, thereby reducing your corporation tax bill. Corporation tax is a tax you pay on profits your business makes. For more info on capital allowances contact HM Revenue & Customs, [www.gov.uk/government/organisations/hm-revenue-customs](http://www.gov.uk/government/organisations/hm-revenue-customs)

### **Case Study:**

#### **Birmingham Bike Foundry**

When we were trying to find premises, we looked into places in South Birmingham as it was close to our local community. We spent a while in a band practice complex in a converted Victorian school, before negotiating a three-year lease on a two storey Victorian shop. The property was in a pretty bad way, having been trashed by previous tenants, so we were able to get it cheap, and to get three months' rent free to pay for the refurbishment. We spent a manic two weeks stripping out old plaster, replacing walls, laying new floors, painting and decorating. We had some help from friends and supporters in terms of labour and also loanstock investment.

(See Chapter 7.2 for more info on loanstock).  
<http://birminghambikefoundry.org/>

Don't forget other ways of getting hold of the stuff you'll need to run the business – tell everyone what you're looking for, somebody may have something hidden in their garage, and ask other co-ops in the area whether they want to share the use of (and costs of purchasing and maintaining) equipment. Local trading, time-bank and swap schemes may also help you to find what you need without spending 'hard' cash on it.

Consider whether borrowing or leasing expensive equipment can help your cash flow and lower your risks by avoiding large capital purchases at the beginning.

## **5.5 Converting an existing business to a workers' co-op**

Rather than setting up a workers' co-op from scratch you may find yourself in a situation where you're thinking of converting an existing business. Maybe the owner wants to retire and employees want to carry it on as a workers' co-op, or a business that fits your requirements is for sale.

There are many advantages to taking over an existing business – you'll already have a customer base, useful contacts, suppliers, equipment and trained staff. If the business has been making a profit, then you'll know that a market for your product exists and you'll have a reliable income. It may be easier to get finance with a proven track record and many of the practical problems any new business faces will already have been discovered and solved.

## **5.4 Getting equipment**

If your business needs equipment, there are several ways to get it. The conventional choices are either to buy the equipment or lease it (i.e. rent it). If you do decide to buy equipment (new or second-hand), check whether you can claim capital allowances, which you can offset against future tax bills – these allowances may make it more cost effective to purchase equipment than to lease it. The rules for these allowances are quite complex, so get advice to make sure you get it right.

However, you will be taking on the legacy of the previous owners and you need to check every single aspect of the business you are planning to buy. Does the business have a good name with its workers, customers and suppliers? Has it been making a profit or a loss, and if so why? Are the market conditions changing? Why is the business being sold? You'll need to honour any outstanding contracts or legal issues the previous owner leaves behind. You may also need much more start-up capital to buy the business.

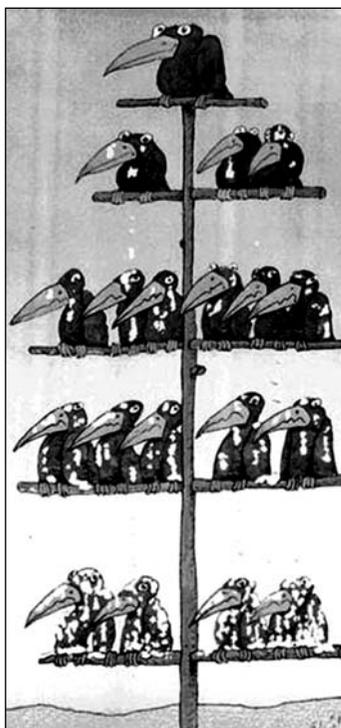
The business may have existing staff who may not wish to join your workers' co-op. They'll be protected by employment law, meaning employees automatically start working for the new owner under the same terms and conditions.

If you are thinking of buying a business, get the business valued, look over the accounts with the help of an accountant and employ a solicitor to deal with the legalities. Co-operatives UK and local Co-operative Development Bodies can also provide invaluable advice.

It can be tempting to reorganise the business completely right from the start, but don't try and change everything all at once – there may be good reasons why things were done a certain way. Get to know the business first and then make appropriate changes.

## 5.6 Policies – assessing environmental and social impact

Many co-ops have a set of policies about the impact their trading may have on their local community and the wider environment. As co-ops (and in line with



Artist unknown

the co-operative principle of acting with concern for the community) we have an interest not just in reducing any negative impact on the wider world, but making sure we actually have positive impacts.

By including these policies in your business plan, you can show how environmental and social concerns are at the heart of your business.

Consider including ways of measuring your impact, but be sure that the

targets you set yourselves are not only meaningful, but achievable, and that you have the time and skills to make those assessments.

Most of your policies will deal with issues around people – employees, volunteers and other people you come into contact with. You'll find more about these in Chapter 11.1.



# Grow a Grocery

A free guide to starting and growing a wholefood grocery co-op  
By Unicorn Grocery workers' co-operative

Available at [unicorn-grocery.coop/grow-a-grocery.php](http://unicorn-grocery.coop/grow-a-grocery.php)

More resources for new wholefood retail co-ops at [wholefoodaction.org.uk](http://wholefoodaction.org.uk)



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Trademark has extensive experience of work place and community conflict negotiation and mediation. We have acted as lead facilitators in a number of high profile community and work-based sectarian and racist disputes. We also encourage and support the development of new co-operative enterprises based on significant experience and success to date.

**We provide practical support and advice on:**

- Co-operative business planning, registration and development
- Mentoring and coaching for start up co-operative enterprises
- Training, information, workshops and seminars
- Financial planning, advice and guidance
- Member responsibilities and democratic governance

# 6. Your business plan – part 2: finances

Getting to grips with the financial side of your co-op is important not only for staying afloat and being able to pay yourselves, but also necessary if you need to borrow money.

This and the next chapter cover the basics of finance for your workers' co-op, from preparing a financial plan to ways of borrowing money. For more in-depth information about raising money and financial planning we can recommend Co-operative UK's Simply Finance guide, available to download from [www.uk.coop](http://www.uk.coop). Radical Routes & Seeds for Change have also produced a guide to basic Financial Literacy for Co-operators, which can be downloaded from [www.seedsforchange.org.uk/resources#co-ops](http://www.seedsforchange.org.uk/resources#co-ops)

The Finance Plan is part of the business plan and it's where you put all your figures together to work out your **income and expenditure**, your monthly **cash-flow forecast** and your yearly **profit and loss account**.

## 6.1 Preparing a financial plan

### Step 1: Gather financial information

The first step is to gather together all your key financial information. This might include **income** such as:

- your total sales;
- any grants or donations you hope to receive;
- any potential rental income from sub-letting;

- interest on any money you have invested or in bank accounts.

On the **expenditure** side you need to estimate:

- wages and salaries, National Insurance and PAYE contributions;
- staff training;
- overheads such as rent, phone bills, utilities, insurance, stationery, advertising, bank charges;
- taxes such as VAT, corporation tax, business rates;
- legal and professional fees such as paying an accountant;
- leasing or buying machinery and equipment;
- repairs and maintenance;
- working capital such as stock and raw materials.

A lot of this will be guess work, but try to make the figures as accurate as possible. Work out these figures for every month of the first couple of years' trading and also the totals for every year. Get quotes and look at the income and expenditure of co-ops similar to yours. If you are starting a new business rather than taking over an existing one, factor in that your sales will start low in the first month and then slowly increase over a couple of years to their estimated sustainable level. This also means some of your expenditure (such as raw materials) may start low and then increase.



## Co-operative Business Consultants

**Co-operative Business Consultants is dedicated to helping co-operatives to start up, grow and thrive.**

- ▶ High quality advice, mentoring, training, business planning, HR etc.
- ▶ Front-line co-operative business experience at SUMA, Olive Co-op, the Co-operative Group, Cafédirect, Radical Routes, FC Utd of Manchester, credit unions and more.
- ▶ Agitating and organising for a powerful co-operative movement with a proud commitment to its values and principles



[www.cbc.coop](http://www.cbc.coop)  
07970 075 704

### **Step 2: Working out your total income and expenditure**

Now put all your data either into a spreadsheet or into an accounting software programme such as GnuCash (see [gnucash.org](http://gnucash.org) for how to install it on your system). This will allow you to work out your total income and expenditure and the profit (or loss) you can expect to make in each month and year. Profit is the difference between the total amount your co-op earns and the costs it must pay out over the period you are looking at.

$$\text{Income} - \text{expenditure} \\ = \text{profit (or loss)}$$

In most co-ops the profits are commonly called surpluses to indicate they are channelled back into the co-op's work, or used to provide fair wages for workers or to support other similar organisations rather than lining the pockets of investors. However, for the purpose of this chapter profit and surplus are the same thing.

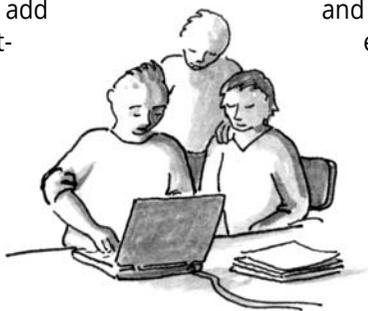
You can get free Income and Expenditure and cash-flow forecast spreadsheets from most high street banks and business advice organisations. Radical Routes can also help you create your own and will discuss business plans with you or advise you on changes.

### Step 3: Working out how much start-up money you need

Hopefully your Income and Expenditure calculation will show a surplus, but don't panic if it doesn't. The majority of co-ops will have to borrow money, especially for large start-up costs like buying equipment and stock – all before the first sale is even made. Once trading, you'll also need money to pay the bills and keep the business going. It can be months before you generate a cash surplus. If you borrow money you can spread repayments over a number of years, instead of having to find all the money at the beginning.

To work out how much money you need to borrow, add up your one-off start-up costs and then add your running costs for at least the first six months. You should always aim to have sufficient cash to last several months without income from your business.

There are many different types of loans available. Short-term loans usually have higher interest rates and the monthly repayments will also be high. Long-term loans over 10 or 25 years have lower monthly repayments, but the interest will add up over the course of the loan. Contact different lenders to find out what they offer – often a mixture of different loans can be the most cost effective. We'll look at borrowing money in more detail in the next chapter.



You need to ensure you can make enough money over the length of the loan or mortgage to pay it all back. Once you've got a rough figure for how much you need to borrow, work out how much your monthly repayments will be. Put the amount to borrow down as 'money in' and add your monthly repayments to the 'money out' section.

### Step 4: Is your cash flow working?

Now your totals for your trading year will hopefully show a surplus. However, even a business that creates a surplus over the course of its financial year can find itself in trouble if it runs out of cash at any point during that year. For example, you may have to buy in stock and pay your bills to keep trading even if customers don't pay you immediately.

Therefore you need to work out whether you will be liquid (i.e. have enough cash to keep afloat) on a month by month basis. This is called a cash-flow forecast. Check the balance of income and expenditure for each coming month. If at any point you go into the red, you need either to arrange an overdraft to tide you over the tricky months, or increase the amount of money you are borrowing right at the start. It's best to have sufficient money in the bank to cover projected expenses for at least six months during the start-up period, to keep lenders happy and in case your estimates for income turn out to be too optimistic. This isn't always possible, and often businesses just survive month by month.

## Cash-flow

Cash-flow is the balance of all the money flowing into and out of your co-op. It covers actual payments of money (i.e. when cash changes hands), as opposed to what is owed by your debtors or to your creditors. Cash pays the bills and allows trading to continue. The need for cash is even greater if your business is growing and extending credit to more customers. If you sell on credit, i.e. provide a service or give someone something before they pay you, your cash inflow will be delayed. This makes it very important that you have effective 'credit control' – in other words that you chase up anyone who owes you. A co-op that buys on credit and is paid in cash, such as a retailer, is at a great advantage in cash-flow terms. For example, a wholesaler might not require payment for a month after you place an order, while your customers pay up front when they take things away.

### Step 5: Book-keeping

As soon as you receive or spend any money you need to start recording it. We recommend using book-keeping software such as GnuCash. When you enter any cash or bank transactions the software automatically calculates the balance and produces an overview of current income and expenditure. Using these actual figures you can then adjust your forecast. The book keeping software should allow you to create the same categories you used in your cash-flow forecast, to make data entry and checking very straightforward.

You should create clear systems for dealing with and tracking invoices and receipts, so you know which creditors need to be paid by when.

You should also 'reconcile' your books and statements regularly – this just means comparing your numbers with the bank's numbers to see if they match.

It is essential to do all of these things regularly – at least once a month, so that you know how your co-op's finances are doing.

***We  
recommend that  
several co-op members  
understand the systems, so  
that if your numbers person  
is away the books are still  
kept, bills are paid and  
invoices chased!***

Remember you have a legal obligation to stop trading if it is clear that you won't be able to pay your creditors.

Book-keeping is not rocket science – you can learn all you need to know from basic books or courses. We

recommend that several co-op members understand the systems, so that if your numbers person is away the books are still kept, bills are paid and invoices chased!



info@catalystcollective.co.uk

0845 2235254

www.catalystcollective.org

workers' co-operative registered under companies acts number 2738104

### **Housing Co-op Registration**

To register your housing co-op with the FCA using the Radical Routes Fully Mutual Rule model costs £375. We also offer advice and support before, during and after registration which is free regardless of whether your group decides to register with us.

### **Back Office Services**

Catalyst offers admin services to co-operatives and small ethical businesses. We can support you at whatever level you require from keeping your records for you, through creating your invoices, making payments, managing payroll and drafting year end financial statements.

### **Business Plan Support**

Catalyst can advise on how to produce or improve your co-op's business plan.

## **6.2 Paying yourself in the set-up period**

Not only must you find finance for setting up your co-op, you will need enough to live on during the set-up stage. You need to work out how much money each person in the co-op personally needs to survive during the set-up period and how they will get this money.

Conventional advice is to borrow enough money to cover this too. However, we recommend finding money that doesn't need to be paid back.

This could be from grants (like UnLtd [www.unltd.org.uk](http://www.unltd.org.uk)) or by working a part-time job (which can mean more stress and less sleep and might get in the way) or by claiming benefits. There are usually various schemes around to encourage people to set up enterprises and it's not uncommon for people to claim dole or tax credits. This is an ever changing area, so talk to other co-ops or to the Radical Routes Trading Co-ops Network for advice.

# 7. Raising the money

When you start out, your co-op owns nothing, so it will need to raise some money to carry out its aims. There are many different sources of potential start-up finance – the cheapest option is often to create a finance package, made up of a mixture of different types of finance. Working this out can take some time, but might save your co-op a lot of money in interest payments.

Whatever types of lending you choose, **don't borrow more than you need.**

You have to pay interest on your loans whether you're actually using the money or not and there may also be arrangement fees. Don't forget your loan repayments and interest payments in your business plan and cash flow forecast.

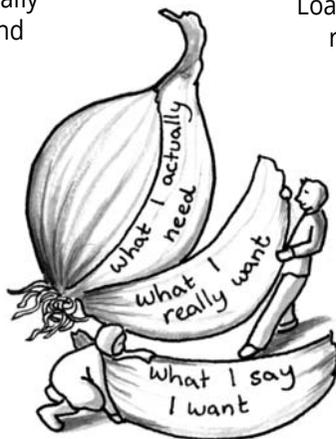
You should provide potential investors (including friends) with an up-to-date business plan – it can help convince investors that you know what you are doing and that it is worth risking their money to support you.

Co-operatives UK and your local co-operative development body may be able to point you to local sources of finance, including grants available in your area. If your members are under 30 years old they may also direct you to the Prince's Youth Business Trust who make grants and low interest loans.

For a considerable amount more detail on this subject, check out 'Raising Finance for Your Enterprise', published by Co-operative Assistance Network (CAN – a co-operative development body) at: <http://s.coop/raisingfinance>

## 7.1 Mainstream finance

You may have to borrow some money from an institution like a bank or building society. There are basically three types of lending: bank loans, mortgages and overdrafts.



Loans and mortgages are repaid monthly with interest. Loans are short term, whereas mortgages are usually paid back over 20-30 years. The shorter the length of the loan or mortgage, the higher your monthly repayments, but the lower the overall repayment will be. Interest on loans is usually higher than on mortgages, and overdrafts have the highest interest of all.

Before lending to you, a bank will want to know that you are a good risk. Typically, the bank will want you to present a credible business plan, provide evidence that you have a successful track record in business, and ask that you invest some money in the business yourself.

Also banks usually ask for security for loans – either business assets or a personal guarantee. You should discuss personal guarantees beforehand, particularly if one or two individual members have homes that the bank may request as security. If you don't meet all the bank's normal requirements, you may qualify for a loan under the Enterprise Finance Guarantee scheme. If your co-op is setting up in a disadvantaged area or a sector that is typically under-served by mainstream lenders, you may be able to get finance from community development finance institutions (CDFIs). These are independent organisations established to develop and create wealth in disadvantaged communities or markets. They provide loans and support to individuals, micro enterprises and small businesses.

### **Bank loans**

You may need a long-term loan for start-up costs and to buy any equipment. There may also be times when your 'balance' goes into the red and you need a short-term loan to see you through until your income grows.

The advantage of loans compared to overdrafts is that you can match the term of a loan to your requirements and you know exactly what the monthly repayments will be, making it easier to budget. The downside is that loans aren't flexible – you could end up paying interest on funds you are not using.

### **Mortgages**

If your co-op already owns a property or is planning to buy buildings or land, you can get a mortgage.

A mortgage is a loan 'secured' against a building or piece of land. If everything goes wrong and you have to sell the building to cover your debts, the mortgage-lender will get first dibs on the proceeds from the sale. This is called a charge, and you may have more than one charge on the building, with your main lender having the first charge. You can usually only get a mortgage up to a certain percentage of the value of the property, typically 70% (and remember, the valuation for a mortgage may be less than the actual purchase price).

The interest is usually based on the constantly changing Bank of England 'base rate' – this is known as a "tracker mortgage". The lower the interest rate, the lower the monthly repayments. Tracker mortgage repayments will change over time; at the time of writing, base rates have been fairly stable for a few years (between 0% and 2%), but they can fluctuate a lot and were around 12-14% only a few years ago. An alternative is a fixed rate mortgage, which may currently have a greater interest rate than a tracker mortgage, but gives long term stability which helps with financial planning.

It is worth remembering, however, that a lower interest rate at the start of your mortgage is more important than at the end, as the initial payments are mainly comprised of interest. After the first 10 years or so you will find, to your annoyance, that despite giving the bank a lot of money you will still owe them most of what you originally borrowed.

## **Ethical banks and building societies**

Banks and building societies make their money by lending other people's money. Their criteria for judging loan applications rarely include the environmental and social costs of the applicant's proposed business. This means that any money they make out of your co-op, by lending you money to carry on your 'ethical' business, could then enable them to lend money to another business that is perhaps chopping down rainforest, perpetuating the oppression of other people, or polluting the air, water, soil, etc.

However, some banks are better than others: there are a growing number of financial institutions that not only refuse to support 'dirty' businesses, but also positively invest in 'green' or ethical businesses. These may be far from perfect, but we encourage co-ops to look closely at the ethical policies of these organisations and not only use them to borrow, but also to invest any reserves or surplus, so your money can be used to help other ethical businesses.

These organisations will probably also have more experience of dealing with co-ops and other 'ethical' organisations – you may find them far more helpful (and even enthusiastic) than conventional banks.

Lending institutions which support positively ethical business include The Ecology Building Society, Unity Trust Bank and Triodos Bank. The Co-operative Bank also has some policies about what types of business it won't support, but is less selective than the other lenders mentioned. For information on ethical current accounts see Chapter 10.1 Bank accounts.

There are other small finance institutions which operate in particular sectors or geographical areas. The Community Development Finance Association's members can be found online. Mutual building societies are also a great option for savings – if they are fully mutual and only provide mortgages for local people. Contact details are listed in Appendix II.

## **Overdrafts**

Many small businesses use an overdraft to cover their short-term borrowing needs. Overdrafts are a flexible way of funding your day-to-day financial requirements – interest is only payable on the amount you are overdrawn. But don't forget that overdrafts have very high rates of interest and some banks charge a fee for overdrafts.

Additionally, the bank can ask for repayment of the overdraft at any time, which can leave you in serious trouble. If you need longer term financing, consider taking out a loan.

When you choose a bank account, take into account the overdraft facilities and interest rates on offer.

## 7.2 Money from friends and allies

There are a number of ways of borrowing money from people and organisations that are sympathetic to what you are doing. By investing in this way people get direct knowledge of where their money goes – something not common for ‘normal’ investments. And you may get more supportive deals with lower interest.

### Loans from co-operative loan funds

Loan funds that are entirely financed and run by co-operatives usually have a good understanding of and actively support democratically owned and controlled enterprises, and your repayments will go to funding other co-ops.

#### *Radical Routes*

Radical Routes is a mutual aid organisation for co-ops that are working for radical social change. One way we help co-ops is by raising finance for loans with relatively cheap interest rates. These loans are only open to full member co-ops of Radical Routes. For more information about Radical Routes and how to join see Appendix I. Radical Routes offers two types of loan to workers’ co-ops. The standard loan can be between 15 and 25 years long, with variable interest. For workers’ co-ops the interest at the time of writing (June 2015) is 6-7%, depending on risk and securities offered. Short term loans for workers’ co-ops are up to a maximum of £5000 and repayable over a year in monthly payments, with interest currently at 6%.

Radical Routes can also help you write your business plan and loan application, and other lenders may look favourably on a project which has had a Radical Routes loan agreed.

#### *Co-operative and Community Finance*

CCF (also known as ICOF – Industrial Common Ownership Finance) operates the Co-operative Loan Fund – a co-operatively run loan fund to provide loans for employee or community-owned social enterprises, including co-operatives. Loans are usually over 10 years. Interest rates are, at the time of writing, 6%-10% and they will also charge a 1%-2% fee on a loan, but they will lend and arrange loans between £10,000 and £150,000. They only provide ‘top-up loans’, i.e. not more than 50% of any other money borrowed. The Co-operative Loan Fund doesn’t require personal guarantees.

### Loans from individuals and organisations

Getting loans from individuals, like friends, family or supportive members of your community, can be a great option for a co-op – especially if banks are unwilling to lend to you. On the downside you may feel under personal pressure, particularly if your co-op starts to struggle and there’s a risk that friends or family will lose their money.

You should never ask people to lend you more than they can afford to lose. You should also seriously reconsider whether your co-op is a viable prospect if traditional lenders such as banks are unwilling to lend you money to start up.

There are two main options in this category: taking a private loan, or fixed-period loans through loanstock. Either way we strongly encourage you to seek up-to-date legal advice first.

Co-operatives UK have published sample loan agreements and loanstock certificates in their *Simply Finance* guide.

### **Private Loans**

This is a way to borrow money on a one-off basis, usually from individuals whom you know. If you know lots of people with savings, it can be easy to access and you might get good terms, eg an interest-free loan.

Make sure that you have a written agreement that is fair to both parties, setting out clear conditions, including any interest and repayment terms. This should help avoid misunderstandings and falling out. Private loans can also be secured against property – if you plan to do this then you should seek legal advice first.

### **Loanstock**

Loanstock is recommended if you plan to borrow from more than one or two people at a time. It is easier to manage and budget for than private loans, making it easier to spread the load by borrowing a lot of small amounts, and not relying on one big sum which might suddenly need to be paid back.

Loanstock is a direct investment in the co-operative by individuals or organisations, over a fixed term (often 5 years), with an interest rate agreed between the co-op and the lender. For many co-operatives loanstock is the only means of raising money without securing it on assets such as a building or machinery, as you might with a mortgage. Holding loanstock does not give the investors any ownership of, or involvement in the running of the co-op. In other words, they do not become shareholders or get any say in decisions.

***By investing  
in this way people  
get direct knowledge of  
where their money goes  
– something not common  
for 'normal'  
investments.***

If you are registered as a Co-operative Society (what used to be an Industrial & Provident Society), you can advertise loanstock (within certain limits) to the public without getting your information materials checked by the authorities. If you are not a Co-operative Society, individuals and organisations can still lend you loanstock, but you can't publicly advertise for investors without paying large fees to get your advertising materials approved, so you'll need to rely on word of mouth.

#### *When can we issue loanstock?*

Issues of loanstock can only begin once you are registered, but loans can be accepted before registration and converted to loanstock afterwards. (In that case receipts must be given until loanstock certificates can be issued). Some co-ops give potential lenders a form or pledge, with which they promise to invest an agreed amount when needed.

This system, along with a generally well-subscribed loanstock scheme, is useful to convince other people and organisations that you already have a level of support and are not undertaking the venture entirely alone. Until the time comes to start spending money on the co-op, money from loanstock should be allowed to accumulate in a deposit account, where the interest on the total amount helps to cover the interest which has accrued on each individual loan.

Loanstock is issued at a set time, for a set period and for set purposes, like the purchase of equipment, buildings or major repairs. Open-ended periods of issue aren't allowed. Start by asking around and getting promises of loanstock from people. Then officially open a loanstock issue at any co-operative meeting, record this in the minutes, draw up application forms (examples available from Catalyst) and start getting money off people.

As with all loans, beware of continually issuing loanstock – it will need repaying at some point!

#### *Loanstock certificates*

When you have received the money, you need to issue loanstock certificates to lenders as a receipt for their money. The certificate is proof of the loan and stipulates the terms and conditions (mainly the agreed percentage of interest to be paid by the co-operative, and the duration of the loan).

The certificate is a legal document which guarantees the conditions of the loan.

Each certificate specifies the rate of interest agreed on that particular loan. Keep copies of the loanstock certificates you issue and record the details in a Loanstock Register.

#### *Interest on the loanstock*

Your co-operative is allowed to offer interest rates competitive with commercial banks and can organise its own terms of repayment. If you are a Co-operative Society your rules should tell you the maximum rate of interest you can offer. Within these limits you can choose what interest rates to offer to investors. It's common to give investors different options, e.g., 0%, 1.5%, 3% (but don't go higher than the market rate if you can avoid it). This means investors can choose how much they want to support the co-op.

Alternatively, interest can be linked to an 'index' (such as the rate of inflation, the Retail Price Index or the Property Price Index), but this will make financial forecasting harder, as you never know how much interest you will need to pay over the period of the loan.

Interest rates on loanstock may be varied annually; such alterations must be formally agreed every year by the co-op. Lenders are liable to pay tax on the interest they receive. The Inland Revenue (HMRC) may ask for a list of your investors with details of the interest they receive and you must send them a list of all investors receiving more than £250 interest in any one year (2015 figures).. If your accounts are externally audited, the auditor should deal with this as a matter of course.

Interest on the investment is usually added on each anniversary of the investment. It can either be paid out annually in cash or be paid as additional shares, meaning that the interest compounds over the years and is paid back at the end, (e.g. £1000 loanstock at 2% will increase to £1020 after one year. This £1020 will then increase to £1040.40 at the end of the second year).

#### *Repayment of loanstock*

Loanstock must be repaid in full, with interest, at the end of the agreed period; it can be repaid earlier on request if affordable. Repayment can be made on a fixed date or according to a fixed schedule (such as three equal instalments on agreed dates). It is better to break up and spread the repayment of large single loans rather than having to pay back tens of thousand pounds in one go. In such circumstances, break up the loanstock with different repayment dates for different parts. In general, lots of small loans repayable over a wide spread of dates is preferable to having to pay back a lot of money at once.

#### ***Withdrawable shares***

Co-operative Societies may be able to issue withdrawable shares (currently up to £100,000) to members as a way to raise money. Your rules may not allow you to do this and, even if they do, you should consider the potential problems. If a member leaves (or is expelled) then that member still has voting rights while the shares are held, so your co-op will have to find the money to repay the member or accept their continued membership even though they aren't working in the co-op any more.

#### **Case Study:**

#### **Birmingham Bike Foundry**

We calculated that we would need £11,000 of investment to finance a move, refurbish new premises, buy stock and pay our staff. The natural method for us to raise this investment seemed to be loanstock – that is to say direct loans from other co-ops, friends and supporters. This way any interest we paid would be kept within our networks. Furthermore we expected people who knew us and what we were trying to achieve to understand our project better and be more sympathetic to it than a conventional financier.

We advertised loanstock for one or two year periods, with up to 4% interest. Although we were apprehensive about raising what we thought was quite a large sum of money we actually had little trouble doing so, exceeding our total in a couple of weeks. Most people actually offered us loans for two years on lower interest rates also, which made the capital much cheaper for us to raise than a standard commercial loan. We feel that this was partly due to the good connections we had made with the public in the year we had been trading as well as the national connections that Radical Routes has given us with other co-ops and supportive individuals.

<http://birminghambikefoundry.org>

Interest can be paid on withdrawable share capital at a rate decided by the directors and reviewed whenever necessary.

### **Community shares**

Co-operative Societies can also advertise withdrawable shares publicly, as long as you are appealing to 'a community of interest'. However this is not suitable for workers' co-ops, as every investor would become a member of your co-op, having some decision-making power, which goes against the idea of being a workers' co-op (and probably your rules too).

### **Finance and support from other co-ops and peer group lenders**

Some workers' co-ops find that they can access finance, support and advice from other co-ops or businesses – known as peer-group lenders. Several co-ops (eg The Phone Co-op, Suma Wholefoods, Mid-counties Co-operative Society) have co-op development funds and loan schemes. There are many organisations that have been set up to support specific groups of individuals and businesses. These include:

- Prowess: the UK association of businesses and individuals that specifically support women in business.
- The Asian Business Development Network (ABDN) Ethnic Minority Enterprise Network: assists Asian and minority businesses by creating access to opportunities and sharing best practice.

- The Black Business Initiative (BBI): aims to support the black and minority business community.
- Local co-operative retail societies (co-op supermarkets).
- Radical Routes co-ops sometimes give direct loans to other Radical Routes co-ops.

### **Investing your own capital, and large investments from individuals**

It is common for members of co-op start ups (like other new businesses) to sink their life savings into the project. But apart from the risks to your personal savings, it may not necessarily be in the best interests of your co-op.

If a member has invested a significant amount (whether or not it's a large amount – it could feel big to that member) it can lead to that member (consciously or unconsciously) feeling they should have more of a say in the affairs of the co-op because of their investment.

And what if that member leaves or needs to withdraw the investment at short notice due to unforeseen circumstances? Will your co-op be able to find enough money available to repay the investment in a short amount of time?

The same caution should be applied to outside investors wishing to invest large amounts – it is often safer to hedge your bets by taking several small amounts rather than a large lump sum.



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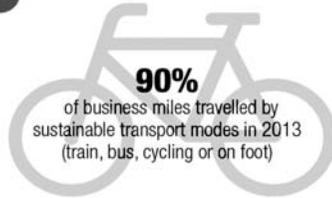


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## Sweat Equity

In the beginning, it is almost inevitable that a huge amount of unpaid time will be spent on setting up the co-op. This is called sweat equity and it's an invaluable contribution, without which most co-ops wouldn't be able to get off the ground.

Although most co-ops don't bother counting the volunteered time, it is worth considering keeping track of it and working out some form of future recompense. A common difficulty in established co-ops is friction between founder members and new members – the huge emotional investment of the labour of love in setting up the co-op can lead to informal hierarchies within the membership.

By measuring and paying back at least some of the unpaid work, you put in you may be able to limit this problem. Unpaid hours could be paid back at an hourly rate in the future, once the co-op is making enough surplus to pay off this debt; or time off in lieu could be granted later on.

### Case study:

#### Freewheelers bicycle workshop (Lancaster)

*"We all put in loads of unpaid hours of work whilst we were setting up our co-op and also during the first few months of trading. Because some of us also had other jobs to support ourselves, we all had different amounts of time we could invest in the co-op. This meant that some of us put more unpaid hours in than others and some of us had more income (from other jobs) than others. We wanted to make sure that when we were in a position to start paying ourselves we didn't forget this initial imbalance. We wanted to compensate or recognise that extra work in some way.*

*We haven't completely worked out how that is going to work. But we kept a record of how many hours each of us put in and how much income each of us got from other jobs and from benefits. We hope to*

*either pay the extra hours some of us put in, if we can afford it; or take time in lieu, so that, eventually, we will all have put a similar amount of unpaid hours in."*



## 7.3 Money you don't have to pay back

### Grants

Grants from a variety of sources are often available for start up businesses, including some from other co-ops. Make sure you ask your Co-operative Development Body and local council about grants early on. The availability and terms of grants for businesses change constantly, so it's important to get up-to-date advice.

If any of your members are 'disadvantaged', explore whether there are targeted grants, for example grants for accessibility, young people or those out of work.

Not all workers' co-ops intend to generate all of their income by trading.

Many workers' co-ops rely on grant and gift income to provide services to their community, in much the same way as charities. If your co-op intends to receive grant income regularly then it will benefit from having a non-profit clause in its

constitution (see Chapter 8) and adopting at least some aims that can be classed as charitable.

Many grants require you to provide 'match funding' – in other words, you need to find at least as much money from other sources for the project as they give you. If you are struggling to find this money, it is worth being aware that some funders will count your unpaid labour in this equation – counting it as equal to the amount you would have paid someone if you had been able to afford to.

If you're interested in applying for grants have a look at "A Guide to the Major Trusts" (published by the Directory of Social Change at [www.dsc.org.uk](http://www.dsc.org.uk)) or ask for it at your local library, and ask to use Funder Finder at your local library or Council for Voluntary Services.

### Government schemes

Make sure you check whether the government is offering any rebates or tax incentives for new businesses. These include things like first year capital allowance (which you can offset against tax in future) and National Insurance holidays.

*Make sure you ask your Co-operative Development Body and local council about grants early on.*

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## 7.4 Other ways of raising funds

Don't forget all the other ways you can raise some funds. These could include things like:

- Collecting subs from members at each meeting.
- Asking friends and relatives for donations.
- Holding jumble sales and car boot sales.
- Organising sponsored events in aid of your project.
- Applying for Regeneration Money: funds have been allocated for the regeneration of some run-down urban areas. Contact your local authority in the first instance. You may be able to raise money this way and yet preserve your independence. Other grants may also be available.
- Follow the traditional method of making money by working a lot in another job and either donating your hard earned wages or investing in loanstock.
- Some co-ops currently supplement low wages using benefits. This relies on the principle that self-employed people and some company directors are exempt from minimum wage legislation and therefore can pay themselves less than the standard hourly rate. In order to work out which directors this applies to, the clearest guidance we could find was the following (from 2012):

*You could try the traditional method of making money by working a lot in another job and either donating your hard earned wages or investing in loanstock.*

*the legislation as it stands is interpreted by the Tax Credits Office to be that the National Minimum wage does not apply to company directors unless they have contracts which make them workers as defined in section 54(3) of the National Minimum Wage act 1998; or that for Working Tax Credit purposes, directors as office holders do not have to be engaged under a contract of service.*

This comes at the end of a long and detailed online discussion thread at [s.coop/acwebtaxcredits](http://s.coop/acwebtaxcredits)  
See [www.gov.uk/employment-status](http://www.gov.uk/employment-status) for more details.

- It is unclear how the introduction of Universal Credit will affect company directors and members of LLPs once it comes into full force in 2017. However, during the period until the end of 2016, it seems that company directors and members of LLPs are not eligible for UC and are therefore still eligible for Working Tax Credits.
- Finally, many areas have alternative currencies, such as LETS (Local Exchange Trading Schemes) or time-banking – perhaps you can participate in these schemes to attract investment and even donations – time, skills and capital equipment may be available.

## 8. Choosing your legal form

Every business has a legal form – that is, what sort of body it is in the eyes of the law, for example, a Company Limited by Guarantee, a Co-operative Society or a Limited Liability Partnership.

Here in the UK there is no legal form especially designed from scratch for co-ops. Instead co-ops choose a basic legal form, then define themselves as a co-op by what's in their constitution. All the legal forms discussed leave choice about how you design the constitution, which we cover in 8.3 'Your Constitution'.

In this chapter we'll describe the various legal forms suitable for workers' co-ops and talk briefly about the pros and cons of each. These are also summarised at the end of this chapter. The legal form which is right for you depends on a number of factors: for example, whether you want limited liability (see below); want to be in common ownership and non-profit making; are hoping to receive grant funding; want the co-op to own property or equipment or raise investment from the community. Choosing your legal form can get confusing, and since you'll probably only do it once you don't necessarily need to understand all the ins and outs, but just seek advice from people who like thinking about these kinds of things, for example Radical Routes and Co-operatives UK.



Ask similar workers' co-ops why they chose their legal form and how well it works for them.

The Co-operative UK resource 'Select-a-Structure' can also be useful to help you think about these issue, see [www.uk.coop/developing-co-ops/select-structure-tool](http://www.uk.coop/developing-co-ops/select-structure-tool) for more information.

**As Radical Routes we recommend that you register either as a Co-operative Society or a Company Limited by Guarantee, because these forms are straightforward and allow the co-op to be in common ownership and non-profit-making.**

We explain why we prefer common ownership in the section about *Common ownership or Co-ownership?* below.

There are some other legal forms that can also be suitable for some types of workers' co-ops.

The legal forms generally thought to be available to workers' co-ops are:

- (Unlimited) Partnership
- Limited Liability Partnership (LLP)
- Unlimited Company
- Company Limited by Guarantee (CLG) **(recommended)**
- Company Limited by Shares (CLS)
- Co-operative Society (used to be Industrial and Provident Society (IPS)) **(recommended)**

## 8.1 Things to consider

### **Incorporation**

The legal forms mentioned above are divided into unincorporated and incorporated bodies and one of the first decisions you have to make is which you want to be.

#### ***Unincorporated workers' co-ops***

Any group of people may join together informally to achieve common aims and, unless their activities fall within an area covered by special regulations such as medical services, they don't need to get permission or inform anyone. Such groups are called 'unincorporated' and include associations, partnerships and trusts. The law usually treats such groups as a collection of individuals rather than as a body in its own right. Where a group clearly exists to trade or be in business, the law defines the group as a partnership.

So, unincorporated workers' co-ops are generally classified as partnerships (unlimited) and members who are paid are classed as self-employed and are responsible for doing their own tax returns and paying their taxes. Because an unincorporated group does not technically exist in law, contracts can't be in the name of the group. This means any contracts such as lease agreements, employment contracts and equipment hire have to be in a member's name, as does ownership of property or materials. If there is a dispute, the law says that the partners who have signed contracts are 'agents' for (ie.. on behalf of) the partnership - all partners therefore are equally bound by any commitments and equally share any benefits.

However, it can still cause a lot of difficulties, for example with taxes, the benefits system, if someone dies or wants to leave, the business fails or a member runs off with the assets. Another disadvantage is that unincorporated co-ops cannot limit liability, so each member is individually responsible for any liabilities the partnership incurs. We explain this in more detail below.

#### ***Incorporated workers' co-ops***

Most workers' co-ops find it an advantage to incorporate. This means creating a legal identity for the workers' co-op that is distinct from its members - a 'corporate body'. The workers' co-op becomes a legal body in itself, so it can legally enter into contracts and obtain loans and mortgages. The co-op can own buildings and equipment. It can also employ its members so that they aren't self-employed. One of the biggest advantages of incorporating is that you can choose to have limited liability for your members, see below for more information.

In return for this you have to register and then send annual forms and accounts to the appropriate registration body together with a small fee. Some details, such as names of company directors and the address of the business will be publicly available.

Legal forms that are incorporated include Companies Limited by Guarantee, Companies Limited by Shares, unlimited companies, Limited Liability Partnerships, and Co-operative Societies.

The table below shows the key differences between incorporated and unincorporated legal forms.

	<b>Unincorporated</b>	<b>Incorporated</b>
<b>Can the co-op own property or enter into contracts?</b>	No. Contracts and property will have to be in a particular member's name, who then becomes legally responsible for them.	The co-op itself can own property and enter into contracts (such as employment contracts). The co-op is legally responsible for these, not the individual members.
<b>Registration and costs</b>	Generally limited or no start-up costs.	Usually small start-up costs and annual fees.
<b>Admin and record keeping</b>	Each member must keep records of the business for their personal tax records. No information need be made available to the public.	Records, such as membership, need to be kept, and accounts filed with the appropriate registrar or regulator. Certain details, such as directors' names and the accounts are available to the public. Your constitution needs to be filed with a registrar (except LLPs who can keep their constitution secret).

### **Liability - why limit it?**

Limited liability is the usual choice for co-ops, as it offers a lot of financial protection for its members if things go wrong.

Only incorporated workers' co-ops can have limited liability, but you shouldn't confuse incorporation and liability, since some incorporated bodies can have unlimited liability, as the table below shows.

	<b>Unincorporated</b>	<b>Incorporated</b>
<b>Limited liability</b> Individual liability is limited to the guarantee or shares held. All members are treated the same unless there is some other agreement in place.	N/A	Company Limited by Guarantee Company Limited by Shares Co-operative Society Limited Liability Partnership
<b>Unlimited liability</b> Individuals will be liable to whatever debts are incurred according to their ability to pay - some directors may have to pay more than others if the co-op fails or is wound up with debts.	Partnership	Unlimited Company

Limited liability means that the personal responsibility of individual members for debts of the co-op is usually restricted to the amount of money they have put into the co-op, either through guarantees or through buying shares (usually £1). Should the business fail and go bankrupt, the individuals involved won't have to stump up money themselves to pay the co-op's

debt. This means your savings and your home are safe, even if your workers' co-op fails.

Limited liability covers members of the co-op only as long as they act responsibly. This usually means meeting regularly, checking accounts and making sure they're aware how the business is running. It doesn't protect directors who have acted fraudulently or negligently – for example, if the co-op continues trading when it's clear that it is no longer solvent. In these cases directors will still be financially liable for their actions.

While there are clear practical advantages to limiting your liability, some co-ops choose not to for ethical reasons. They argue that limiting liability means that you refuse to take responsibility for your actions. If your co-op goes bust and it owes money to other businesses it may result in other small businesses going bankrupt too.

One of the reasons why big corporations get away with acting so irresponsibly is that their directors and shareholders know they will never personally be held to account. By deciding not to limit your own liability you make yourselves personally accountable for the business decisions of the co-op.

*The idea of common ownership has a rich history, and is the same concept as "the commons" and "commonwealth". This concept of commons was advocated by writers and thinkers such as Gerrard Winstanley, John Stuart Mill, Pierre-Joseph Proudhon, Peter Kropotkin and Emma Goldman.*

If an unlimited workers' co-op fails to pay its debts, each member steps in to the extent they can personally afford. Because the liability is 'joint', those members with more personal assets (such as a house) may have to pay more, putting some members at a higher risk than others.

This is not ideal in a democratic organisation, as it creates a power imbalance.

### **Common Ownership or Co-ownership?**

A big decision for your co-op is who owns the assets. Most of the economy is privately owned – this is the very basis of capitalism. A lot of co-ops decide that the means of production as well as any other capital and assets should be owned not by individuals or corporations, but by society generally. This is called common ownership, and if your co-op is in **common ownership** then you, as a member, are guardians of the co-op and its assets, making a living from it while at the same time looking after it for future generations.

The idea of common ownership has a rich history, and is the same concept as “the commons” and “commonwealth”. Co-operators who believe in common ownership argue that their co-op is as much a part of wider society as the Earth itself. This concept of commons was advocated by writers and thinkers such as Gerrard Winstanley, John Stuart Mill, Pierre-Joseph Proudhon, Peter Kropotkin and Emma Goldman.

If a co-op in common ownership is wound up, its assets aren't given to the members, but are passed on, ideally to a similar co-op, but failing that, other co-ops or charities will benefit. This stops co-op members from cashing in on the work previous members have put in and encourages the co-op to be maintained and passed on from one generation of workers to the next.

The term **Common Ownership** is sometimes used in the same way as **non-profit** or **not-for-profit** because the members don't profit from the business in the way that shareholders of capitalist businesses do. In other words, the organisation doesn't exist just to generate private profit. However, this can be confusing as the business still needs to break even or generate profits (called 'surplus' in co-ops) to be sustainable (i.e. reinvest in the business and hold reserves). Also, many co-ops hold their assets (built up over years) in common, but still distribute part of their annual surplus to their members each year provided they had been paying themselves a fair wage in the first place.



Some people think that if more money was generated than expected, it means the workers underestimated the value of their labour and so distributing the surplus is putting right their initial estimate. Co-ops wishing to be completely non-profit would probably decide not to share out any of their surplus each year, provided they had been able to pay themselves a fair wage in the first place.

The other main form of asset ownership is **co-ownership** or **joint ownership** because the assets are co-owned by the members. Members of the co-op have a claim on the assets, and if the business ends then members and possibly recent ex-members will take a share of the assets, often in proportion to how long they have worked for the co-op. The assets of the co-op are seen as the result of the work done by members.

Generally speaking, only co-ops that are registered either as Co-operative Societies or Companies Limited by Guarantee are in common ownership. You need to explicitly write this into your constitution in the section that deals with distributing profit and dissolving the co-op. For an example of how to write this, see Appendix III Model Articles, sections on Profit of the Co-operative and Dissolution. Technically, Companies Limited by Shares can be in common ownership but this is unusual. Partnerships and LLPs are very tricky to put into common ownership.

One reason is that any profit is recognised by the government for tax purposes as profit of the individual partners, so the partners pay tax personally even on assets which stay in the business. However, since LLPs are in many ways less restrictive than companies and societies, some co-ops may choose to use them and create Partnership Agreements which create a culture of common ownership. A carefully worded clause in the Partnership Agreement might succeed in achieving this.

### ***Common ownership and Radical Routes***

Full membership of Radical Routes requires co-ops to be mutual and securely in common ownership and this needs to be stated in the constitution. Consequently, only co-ops that are registered either as Co-operative Societies, Companies Limited by Guarantee or Companies Limited by Shares can be full members of Radical Routes and only if their constitution stipulates that they are mutual and in common ownership. Co-ops which don't fulfil the full membership criteria can become Associates or Financial Supporters and participate in the reciprocal support aspects of the network.

### **Grants and fundraising**

Workers' Co-ops can't register as charities, because charity law says that those benefiting from the organisation can't be the ones making decisions – which of course goes against the whole idea of co-ops, which are set up to benefit and be run by the members!

Nevertheless, many co-ops successfully get grants from funders, for activities which are classed as charitable. If you want to apply for funding then you'll find it easier if you don't adopt a form which is explicitly about providing dividends and profits to members (i.e. a partnership, a company limited by shares or an LLP – see below).

Most funders are familiar and comfortable with companies limited by guarantee, and some are also comfortable with Co-operative Societies. Be prepared to explain your legal form to your funder as they may never have come across a workers' co-op

before. It will definitely help if at least some of your aims can be counted as charitable (e.g. education and community development – see [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk) for more information about charitable aims) and if you include a 'common ownership' clause in your constitution, covering where any money should go if the co-op is 'wound up' (i.e. closes down).

***Full membership of Radical Routes requires co-ops to be mutual and in common ownership and this needs to be stated in the constitution.***

## 8.2 Explanation of the various legal forms

In this section we explain key features of the various legal forms available to workers' co-ops, concentrating on the most suitable ones. The table at the end of this chapter (8.4) provides a more comprehensive comparison of the most suitable forms.

### Co-operative Societies

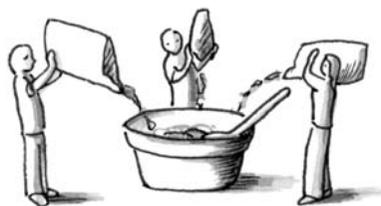
Co-operative Societies are regarded by many as the 'natural' legal form for a co-op because their rules (a Co-operative Society's constitution is called the rules) have to include some of the main aspects of the co-operative principles (such as one member one vote or consensus decision-making, and a limited return on investment). This is one of the legal forms recommended by Radical Routes because it is relatively straightforward and is suitable for co-ops which want to be in common ownership and also not-for-profit.

This is one of the forms which used to be constituted as an Industrial & Provident Society (IPS), although the Co-operative and Community Benefit Societies Act 2014 abolished the IPS name. Nevertheless, some people still refer to 'IPS' and 'Bone Fide Co-ops' so it can be a bit confusing.

Co-operative Societies are registered with their own Registrar, 'The Registrar of Mutual Societies', which is currently The Financial Conduct Authority (FCA).

The FCA was created in 2012 when the previous Registrar, the Financial Services Authority (FSA) was closed down.

Co-operative Societies are a good legal form if you want to raise finance from the public via loanstock. Although any incorporated body can offer loanstock to the public, Co-operative Societies are exempt from some parts of the Financial Services and Markets Act 2000, making it more straightforward for them to advertise loanstock to the public. For an explanation of loanstock see Chapter 7.2.



The cost of registering a Co-operative Society varies depending on which model rules you use, and how many changes to the model rules you want to make.

You need at least three members to register and run a Co-operative Society. If you think you might have fewer than 3 members at any point in time, it may better to opt for the form of company, as legally this allows you to have as few as one member, although to be a co-op you'll need at least two.

### Companies

Companies are the most common form of incorporated bodies. They are quick and easy to register and are regulated by Companies House and legally you only need one director, though in reality you will at least need two to make a co-op. This makes it a good form for very small co-ops.

There are several kinds of company, including:

### ***Company Limited by Guarantee (CLG)***

A private Company Limited by Guarantee doesn't issue shares, but each member guarantees a token amount (usually £1 or £10) to pay off any debts if the company is wound up. This is one of the legal forms recommended by Radical Routes because it is relatively straightforward and allows the co-op to be in common ownership and not-for-profit if it wishes.

This is the traditional choice for workers' co-ops registering as a company over the last few decades and is also the one usually chosen by non-profits such as voluntary, community and charitable organisations. Funders and grant-givers are generally familiar with this legal form.

Sample Company Limited by Guarantee articles for a workers' co-op are available in Appendix III.

### ***Company Limited by Shares (CLS)***

A private Company Limited by Shares can issue shares and pay dividends on them, but not to the public. Each worker could have a share, or shares can be held collectively. This is the company form often taken by co-ops in co-ownership (where assets are distributed to members when the co-op is wound up).

## **Partnerships**

### ***(Unlimited) Partnerships***

If you're forming a co-op together, but don't want to incorporate, then you are automatically considered a partnership: you will be working together to run a business, sharing profit, decisions and responsibilities. Even if you don't agree a contract on how to run the co-op, what to do with profits etc., then the Partnership Act (along with lots of case law from the courts) will set the ground-rules. Obviously it's much better to work out what you yourselves want and write your own Partnership Agreement – this can get very complex so do seek legal advice! Since the Agreement is written by you and there are few rules about what can or can't be in there, it is very flexible. Generally the Agreement covers how much capital each partner invests, how profits or losses are shared, as well as working arrangements, such as how many hours partners work, how decisions are made, and how partners can join and leave.

The key thing to bear in mind about partnerships is that each member is actually self-employed, so everyone in the co-op will have to tell the tax authorities that they are self-employed, keep their own records and deal with an annual tax return each year. Partnerships are 'transparent' as far as tax is concerned, so any profit made by the Partnership is treated by HMRC as profit made by the Partners.

If things don't go well and the co-op has debts that can't be paid by the business, the members will be jointly liable – so individual members have to pay according to their ability (e.g. their savings, home, car etc.). In other words, the debts won't necessarily be split evenly between members.

It's arguable whether Partnerships can be in common ownership, so this form is not suitable if you intend to apply for grants or want to become a full member of Radical Routes, though it's possible to be an Associate.

Partnerships can also be incorporated with limited liability (Limited Liability Partnerships) – see the next entry for more details on this.

### **Limited Liability Partnership (LLP)**

A Limited Liability Partnership is a partnership that, although not a company, still has limited liability – members are only liable for the amount they have invested in the partnership. It is registered with Companies House and, just as with unlimited partnerships, it may have a Partnership Agreement (sometimes called the Deed of Partnership) which covers how profits are shared etc. This Agreement is written by you, and there are no rules about what can or can't be in there, which makes it very flexible.

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Generally the Agreement covers how much capital each partner invests, how profits or losses are shared, whether any partners should be paid a salary and working arrangements, such as how many hours partners work, how decisions are made and how partners can join and leave. Unlike other limited liability forms the Agreement needn't be filed with the regulator, so it can be changed at any time to reflect the needs and practices of current Partners.



*Preparing the beds for planting  
Photo: Organiclea*

Each LLP will need to have at least two 'designated partners' – these are partners who take on similar responsibilities to directors in companies. You can designate all partners.

Just as with unlimited partnerships, LLP members are usually counted as self-employed and fill in a self-assessment return for their income tax and NI. The LLP doesn't pay corporation tax – it is 'transparent' as far as tax is concerned, so any profit made by the Partnership is treated by HMRC as profit made by the Partners.

Since LLPs are designed for profit making businesses they aren't suitable if you want to be officially non-profit. And since they can't securely be in common ownership, they aren't suitable for being a full member of Radical Routes, although you can still be an Associate.

### **Other legal forms less suitable for workers' co-ops**

Here are some other legal forms you may hear about, along with our explanations of why we don't feel they are suitable for workers' co-ops.

#### ***Community Interest Company (CIC)***

Community Interest Companies are companies (limited either by shares or guarantee) that have a community benefit objective. How the company meets that objective is assessed annually by a regulator who has the power to remove directors and otherwise intervene in the running of the company.

CICs have often been recommended as a form for co-ops by business advisers and, to be fair, there is one very positive aspect to them: the asset lock which prevents members from dissolving the co-op and distributing the assets amongst themselves.

However, we feel that there are also factors which make CICs unsuitable for workers' co-ops.

Even though the CIC regulator has allowed workers' co-ops to be registered as a CIC, their own guidelines state that companies engaged in: "activities which a reasonable person might consider to benefit only the ... employees of a particular employer" cannot be CICs. The CIC regulator is currently not enforcing this, but if this situation changes the regulator does have the powers to change the complete nature of the co-op without regard to members' wishes. These wide-ranging powers of the regulator (for example to appoint directors and management)\* are in direct conflict with the second co-operative principle which states that co-ops are controlled only by their members, who have equal voting rights. For these reasons we do not consider CICs to be a suitable legal form for a workers' co-op.

\* It is true of course that the courts have similar powers over any company or co-operative society, but these are exercised only after a full hearing, decided by a nominally independent judge. The powers of the regulator over the CIC, however, are wielded by a political appointee with executive powers.



### ***Community Benefit Society (used to be registered as an Industrial & Provident Society) (BenCom)***

Community Benefit Societies must primarily benefit people who aren't members, so they cannot be used for a workers' co-op, although they are suitable for a community co-op.

### ***Charitable Incorporated Organisation (CIO)***

Like Community Benefit Societies, charities must primarily benefit people other than their members – which makes a workers' co-op and charitable status incompatible.

### ***Limited Partnerships***

These are a mix between unincorporated partnerships and LLPs – some partners have only limited liability (usually the amount of money they initially invested in the business), while others have unlimited liability – so they can lose all their money if the partnership goes bankrupt. We haven't included information on this form because it can get quite complicated, and we feel that the different liabilities of members isn't very democratic.

### ***Unlimited Companies***

This form of company is incorporated and registered with Companies House, but does not have limited liability. Because of that it does not need to file accounts every year. This is a very rare form of company, and is almost unheard of when it comes to small businesses like most workers' co-ops. If you choose this form you may find that people you deal with, for example funders and accountants, may not be familiar with the practicalities involved.

### ***Sole Traders (unincorporated)***

Sole traders are self employed people working for and by themselves. We won't deal with sole traders here, because if you're setting up a workers' co-op then by definition you won't be trading by yourself, but working with others, even if you're in a co-op of self-employed people.

### ***Association (unincorporated)***

Unincorporated associations are groups of individuals who are doing something together that isn't running a business. Because in almost all cases a workers' co-op provides work and pays (or aims to pay) members, this means it is running a business, so it is by definition not an association, but will automatically be a partnership if it isn't incorporated.

### ***Public Limited Company (PLC)***

This is a complex form of company, and is usually the form for companies wishing to sell their shares to the public. Because of its complexity, the amount of regulation around PLCs and the fact that non-members would own a share of the business, we don't consider this form of company here.

## **8.3 Your constitution**

Your constitution is the 'governing document' for your workers' co-op. In other words, it's a written document, agreed by all members, that sets out the name, the aims and objects of the co-op, the procedures and rules for how the co-op is run and how it can be dissolved.

The easiest way to draw up a constitution is to use a model provided by an organisation like Co-operatives UK. The different legal forms allow you varying amount of flexibility in terms of how many changes you can make to this model, see the table on pages 76-77 for more details. However, it is worth choosing or adapting your constitution so that it says what you want: it should set down a lot of the principles which make you a co-op and the practicalities which make it workable.

For example, it can include:

- How you will make decisions: consensus or voting (see Chapter 4.2).
- Whether you want to be in common ownership (see the *Common ownership or co-ownership?* section in Chapter 8.1 ).
- How you will calculate your yearly surplus (profit) or deficit (loss) and how you choose what you can do with it
- Who can be a member and who manages the co-op.
- What official roles you will have, for example do you want a treasurer?
- Practical details like procedures for calling a meeting, who has to agree the annual accounts and (for a Co-operative Society) whether you want to be exempt from having your accounts externally audited. See the *Audits* section in Chapter 11.2).

Appendix III provides an example of model articles for a company limited by guarantee (approved by Co-operatives UK). All the different legal forms have different types of constitution.

The table on the right shows what these different types of constitution are called.

Legal Form	Name of Constitution
Co-operative Society	Rules
Company Limited by Guarantee	Articles of Association (usually just called articles)
Company Limited by Shares	Articles of Association (usually just called articles)
Unlimited Company	Articles of Association (usually just called articles)
(unlimited) Partnership	Partnership Agreement or Deed of Partnership
Limited Liability Partnership	Partnership Agreement or Deed of Partnership

If you decide to incorporate your co-op, you have to adopt the relevant form of constitution. If you don't want to incorporate, there are still many good reasons for having a governing document. Agreeing a constitution will help you to:

- Work out and agree a set of clear aims and objects for the co-op.**  
 These will provide a framework for your activities and provide a guide for future members. You can include a statement that you intend to work and trade in a co-operative way and list the co-operative principles and values. It's a good idea to add a catch-all aim on the end in case you want to do anything that doesn't quite fit into your other stated aims. See the model articles in Appendix III, article 2 (1) (e) and (f) for an example of this.
- Avoid future disagreements,**  
 because you've already worked out how the co-op will be run, including who can join, how meetings are called, how decisions are made, how the constitution can be altered and how the co-op can be dissolved.

- Apply for grants:** most funders will require you to have a constitution.

See Appendix III for model articles for a Company Limited by Guarantee.

### **Changing and protecting your co-op's constitution**

How easy do you want to make it for the constitution to be changed in future? Although it may seem like a good idea to be able to easily change things there are some issues to consider. How do the founding members feel about future members changing the aims and purpose of the co-op, or even de-mutualising it (converting it to a 'normal' company, perhaps with the intention of selling it or the assets for their own financial benefit)? If you want to define your co-op as a common-ownership organisation or call it 'non-profit' then you will also probably want to make sure that this can't be changed in future.

Unfortunately there is no way to completely prevent changes, but what you can do is listed below.

- **Co-operative Societies.** There is a widespread perception that being a Co-operative Society offers the best protection against negative changes in the rules. Changes are overseen by a Registrar who approves any changes to the constitution. In theory this makes it difficult to substantially change the original aims or take out a non-profit clause. Unfortunately, in practice this seems to happen regularly so the presence of the Registrar doesn't provide a guarantee that changes won't happen. In addition, it is still possible for a membership to 'demutualise' their society, i.e. change their co-op into a normal company.\* This would mean the whole constitution could be changed at will.
- **Unlimited companies, companies limited by shares, companies limited by guarantee:** Any of the articles can easily be changed by current members, including the aims, mutual status and any non-profit clause. The best protection you can provide in this case would be to 'entrench' the relevant clauses. Entrenching a clause means that you put a condition on it so that for example any changes have to be agreed by a large majority (e.g. over 75%) or even unanimity of current members. The next chapter tells you how to entrench clauses at the time of registration.

- **(Unlimited) partnerships and Limited Liability Partnerships** are bound only by the partnership deed or agreement (if any), which the partners agree between themselves. If all partners wanted to change any clauses of this agreement in future then they could, because it's just a contract between themselves.

## Summary

So, to sum up: Being a Co-operative Society is often considered the best way to protect your constitution from changes by unscrupulous members. However, the various forms of companies and LLPs can provide good protection if you have properly written and entrenched clauses that call for unanimity for certain changes. However, once the entrenched clauses are removed the membership has freedom to make any changes they wish.

Unfortunately, at the end of the day there is no 100% effective way to stop undesirable changes to the constitution, other than making sure you only take on people with a commitment to the co-operative principles and values, and regularly review your aims and principles.

\* Co-operative societies can convert into private companies, and distribute assets to members if a special resolution is passed in a ballot of members in which at least 50% of members participate, and the resolution is supported by at least 75% of those who vote, with a second meeting confirming the decision.



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## Case study:

### How different co-ops chose their legal form

#### **Seeds for Change Lancaster Co-operative Ltd**

When we set up Seeds for Change Lancaster in 2001, our first thought was to go with registering as an Industrial & Provident Society (what's now called 'Co-operative Society'), because it's the only legal structure which is even vaguely designed with co-ops in mind. We had also been involved in other co-ops in the past that used this structure, so we were familiar with it.

At the time though, the Financial Services Authority had just taken over registration of Industrial & Provident Societies and there was a lot of uncertainty about whether the FSA even understood the nature of the co-ops it was meant to regulate. Since we didn't intend issuing any loanstock and we had concerns about new regulations and rumours of the cost of annual registration becoming very expensive we decided to look at registering as a Company Limited by Guarantee. Company law is traditionally very stable and the kind of major changes that were being introduced for Co-operative Societies just don't happen to Companies. The structure of a Company Limited by Guarantee is an accepted form for non-profit organisations: many charities have this structure and many co-ops too.

At the end of the day we decided that what mattered was how we ran our co-op and what agreements we had between members (whether they were part of a Company's articles or a Co-operative Society's rules). Company status was cheaper, easier and quicker to register and has meant we've been able to easily change our articles to keep up to date with the different needs of members as we've grown over the last ten years.

#### **Birmingham Bike Foundry Ltd**

We decided to incorporate through Co-operatives UK in 2010. We chose to become an IPS, because this was the structure recommended to us by Co-operatives UK and we had already had some experience of dealing with the FSA (then the regulator of IPSs) through our housing co-op. We created a constitution that emphasised co-operative trading, mutual aid and syndicalist politics. We wanted to make a few changes to the model rules we were offered because we wanted consensus decision making and a flat organisational structure (i.e. no management committee). This meant we had to pay £120 rather than the usual £40 for registration. Going through Co-operatives UK also gave us a year's free membership, which gives access to free legal advice amongst other benefits.

#### **Sostenga**

Sostenga, a Community Development training and facilitation collective, was set up by people who had been employed by a charitable company that went into administration. We decided to set up as an LLP, because we wanted to have a structure that was simple to set up, enabled us to grow organically, make collective decisions, work to a set of values, and agree policies when they were needed rather than starting with a fixed set of paperwork. A percentage is taken from each piece of work to fund the administration of the LLP, members' own training and support and the occasional development of unfunded projects. We chose an LLP status as this enabled us to draft our own rules and be flexible in our development. If we wound up it's up to the Directors to decide what happens with the assets.

## 8.4 Legal forms comparison table

Aspect	Legal form of Organisation			(Unlimited) Partnership
	Co-operative Society	Company Ltd by Guarantee	Company Ltd by Shares	
<b>Liability</b>	Limited	Limited	Limited	Unlimited
<b>Common Ownership</b>	Yes, if the constitution stipulates that the assets on dissolution cannot be distributed amongst members but must be passed on to another common ownership organisation.			Partnership Agreements can specify common ownership arrangements, but they may not stand up to a legal dispute. Also the government taxes profits through the individual partners.
<b>Min. no of directors / members</b>	Three	Legally you only need one director, but as a co-op you will obviously need at least two members.	Two	Two
<b>Registration &amp; regulation</b>	Usually register via a sponsoring organisation (see Ch.9.3). Takes up to 3 weeks. £40 to £950.	Companies House - Takes up to 2 weeks (cost £15-£40). Same day registration possible for £100.		No registration, since not incorporated.
<b>Admin and paperwork</b>	Annual Return (form to fill in letting regulator know of any changes of directors or secretary plus the Periodic Fee. Due every year: £50-£100). Annual accounts.	Annual Return. (form to fill in every year, cost: £15). Inform Companies House of any changes of directors and/or secretary.	Annual Return (form to fill in every year, cost: £15). Annual accounts. Each partner does an income tax self-assessment return. Inform Companies House of any changes of membership.	No Annual Return or accounts to file. Each partner does an income tax self-assessment return. Partnership accounts needed to support that.

<b>Constitution</b>	Choose from a variety of model rules, some adaptations possible, but expensive to make big changes.	Edit standard "Articles of Association" (available from Companies House website). Model Articles for Company Ltd by Guarantee in Appendix III.	Partnership Agreement – written by members so can include anything they want. (Examples available from some co-op development advisers and LLP co-ops.)
<b>Tax and Finance</b>	Corporation tax paid on profits. Income Tax (PAYE) and NI paid for employed members. Can give share dividends.	Corporation tax paid on profits. Income Tax (PAYE) and NI paid for employed members. Can give share dividends.	HMRC assumes profits are shared between partners, who are individually taxed, even if they haven't received the money. Members are self-employed, so do an annual self-assessment return for income tax and NI. The Partnership Agreement can detail how profits are actually shared.
<b>Limits on what co-op can do?</b>	Can't engage in business in order to deliver financial returns to investors – only to members.	No	Must trade with a view to breaking even or making a profit.
<b>Can the constitution be changed?</b>	Yes. Future members can change aims; convert to a normal company & change the democratic nature of the co-op.	Yes. Easy for future members to change aims and democratic nature. But entrenched clauses can be included that can only be changed by unanimous decision.	Yes. But clauses can be written in such a way that they can only be changed by unanimous decision.
<b>Other Notes</b>	Best form if you want to raise capital from the public (through loanstock).	Preferred by most grant givers.	Probably more difficult to get grants. Probably more difficult to get grants. LLPs are specifically for 'profit-making'.
	<b>Co-operative Society</b>	<b>Company Ltd by Guarantee</b>	<b>Limited Liability Partnership</b>
		<b>Company Ltd by Shares</b>	<b>(Unlimited) Partnership</b>

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# 9. Registering your workers' co-op

This chapter explains how to register your workers' co-op with the relevant regulating body. For Companies and Limited Liability Partnerships this is Companies House and for Co-operative Societies this is the FCA. Unlimited partnerships needn't register since they are not incorporated, but as with Companies, LLPs and Co-operative Societies you should let HMRC know that you have begun trading.

## 9.1 Things to sort out before registration

Before you start the registration process you should sort out the following:

- **Name:** You will need a legally-acceptable name, which is not already registered. If necessary, a small change to a name already in use may make your choice acceptable. Agree a second name as an alternative in case the first is not accepted upon registration. There is a free name check service on the Companies House website. Companies House guidance states that if you are registering a company and want to have the word **Co-operative in your name** then you have to fulfil some conditions\*. In practice LLPs, companies limited by shares as well as the more usual companies limited by guarantee are regularly registered with the word Co-operative in their name. If you wish to use the word Co-operative in your name then it's worth seeking guidance from Co-operatives UK on what is accepted by Companies House.

- **Members:** At least 3 for a Co-operative Society and, practically speaking, at least 2 for a company (legally the minimum is one person, but that doesn't make for a particularly good co-op!) and 2 for a partnership. For Companies and Co-operative Societies a Register of Members must be kept, containing a record of the names of all members, with dates of joining and leaving.
- **Official address:** This will be the registered address of the co-operative and, once registered, a plaque or notice bearing the co-operative's name must be displayed outside the building. If you change the address after registration you must inform the registrar.
- **Constitution:** You will need to adopt a constitution that meets certain requirements (see Chapter 8 for more information on the different kinds of constitution).

\* Companies House guidance states that to include 'Co-operative' in your business' name:

It should be owned and controlled by its members, customers or employees

Membership should be voluntary and open i.e. it should not be artificially restricted in order to increase the value of the business or its assets

Members' should participate in the economic activity of the business

Profits should be distributed equally amongst the members' or at least in proportion to the extent each member has participated in the business

These principles should be included in the company's articles of association or in the rules/constitution of an unincorporated business

Any application to use this word in a business name must include a copy of the rules or constitution document

# Woodcraft Folk

is the Cooperative Children and Young People's Movement.  
We run hundreds of grassroots education groups in towns  
and cities across the UK where young people of all  
ages meet to play games, make friends and learn  
about big ideas from climate change to social justice  
through cooperative activities



Sound interesting? We'd love to tell you more!



Woodcraft Folk



[www.woodcraft.org.uk](http://www.woodcraft.org.uk) | education for social change since 1925 | a registered charity

- **Directors / Officers / Designated Members:** You will need to appoint some members to official roles – depending on your legal form and what you have set down in your constitution this may simply involve everyone being a director, or it may involve having a secretary, treasurer and chair. See Chapter 4.2 for more on roles and officers.
- **Shares:** if you register as a Company Limited by Shares or a Co-operative Society, you'll need to issue a Share Certificate to each member, and each issue must be recorded, usually in the Register of Members. In those cases each member must pay for their share – usually a nominal £1 or £10 – which is not repayable, even when the member leaves.

## 9.2 Registration

You can either deal with the registration yourselves or pay someone to do it for you. Co-operatives UK can register your workers' co-op as a Co-operative Society, a Company Limited by Shares or Guarantee or an LLP from £300, using their model rules or variations upon them. There are others out there who can do this for you too – see the list of useful addresses in Appendix II.

Registering a Company or LLP with Companies House is straightforward and we explain the process below. There are also some model articles for a Company Limited by Guarantee in Appendix III. If you do register yourself, get advice on your constitution.

For registering a Co-operative Society we recommend you use a sponsoring body (see below), such as Co-operatives UK as this is currently the cheapest and most straightforward option.

### 9.3 How to register a Co-operative Society

The usual way of registering a Co-operative Society is by using one of a selection of model rules provided by various sponsoring bodies. These are other co-ops or groups that have already agreed model rules with the registrar to make it more straightforward and cheaper for co-ops to register with them. In theory, you can register a Co-operative Society yourself from £40 using model rules, but most sponsoring bodies only allow use of their models if you pay them to do the registration. Registering rules you have developed yourself will cost £950 and will be a lengthy process.

Although you may alter a sponsor's model rules, the more changes you make the higher the cost will be, as the registrar needs to check over any changes. It will also take longer. However, it's worth bearing in mind that you can make changes to Co-op Society rules at a later date for nothing, as long as you meet all the requirements in your rules for special resolutions and so on.

The main sponsor for workers' co-ops is Co-operatives UK, who can register you for between £300 and £600 depending on the level of additional support you want (at time of writing, June 2015), which includes advice, model rules and a year's membership of Co-operatives UK.

*The main sponsor for workers' co-ops is Co-operatives UK, who can register you from around £300.*

We haven't included any detailed notes on this process because your sponsor will help you out with the form filling and should advise you on which version of their rules would be most suitable for your co-op. It can also help to ask other workers' co-ops to find out what rules they chose and why.

#### Case Study: Freewheelers Bicycle Workshop

Getting in touch with a sponsoring body felt a bit daunting at first because we kept getting different advice. In the end someone from the Oxford Cycle Workshop pointed us in the direction of Co-operatives UK and the Co-operative Enterprise Hub (no longer in existence) who were very friendly and helpful and gave us lots of support including free registration and four days support. It was nice to go through a sponsor, because it saved us from having to get our heads round a load of admin that we'd never need to know about again, and meant we could concentrate on fixing bikes which is what we're here to do.



## 9.4 How to register a Company

In contrast registering a company is something you can easily do yourself and we explain the process in more detail below to help you with this. All companies – whether limited by shares, limited by guarantee or unlimited, are registered with Companies House. You'll need to get some paperwork together and fill in the necessary forms. Once you've done that you just send it off to Companies House with a cheque.

Note: although you can register a company online on Companies House's own website, at time of writing (May 2015) you can only do this if you are registering a company limited by shares using standard model articles. These model articles aren't suitable for co-ops because they don't consider the co-operative culture, values or principles. The section below is an overview of the registration process.

You'll need:

- **Form IN01** (application to register a company);
- **Memorandum of Association** – Companies House have a sample form you can use on their website, or use the text below;
- **Articles of Association** – we've included some model articles for a Company Limited by Guarantee in Appendix III;
- **The fee.**

### How to fill in form IN01

Download the application form to register a company (IN01) from [companieshouse.gov.uk](http://companieshouse.gov.uk) and fill it in.

It should be fairly straightforward and there are helpful notes on the form, but here are a few more notes to help:

### Part 1

If you are using the Articles from this book, under A7 choose 'Option 2' for model articles with amended provisions.

Obviously you need to have a name for your co-op. There are certain kinds of names you can't use – like anything similar to names already in use. There's more guidance on the Companies House website on this. If you want to use the word Co-op or Co-operative in your name, you need to make sure that you fit the criteria (see 9.1 above) and tick the box saying that you are using "sensitive or restricted words".

If you have any entrenched clauses (see previous chapter for more information on why you may want to entrench certain clauses and below for how to do this), tick the box "restricted company articles".

### Part 2

**Secretary Appointments:** there's no longer a legal requirement for companies to have a Secretary, unless your articles say you must, so you can leave this section blank (unless of course you have an article saying you need a Secretary).

**Director Appointments:** if you have more than 2 directors you will need to print out these pages more than once (or download the "continuation pages – director appointments" from the Companies House website), since the details of every director are required.

Note, the page for 'corporate directors' is for other companies (i.e. not real people) that are acting as directors, so don't fill this bit in!

### **Part 3 and Part 4**

If you are registering a Company Limited by Shares fill in **Part 3 - Statement of Capital**, and if you are registering a Company Limited by Guarantee then fill in **Part 4 - Statement of Guarantee**.

### **Drawing up your Memorandum of Association**

The Memorandum of Association is just a form saying that the members want to form the company. This used to be part of the constitution of companies, but since 2009 only the articles (see below) are used as a constitution – the memorandum is only used when you register. You can download a sample memorandum from the Companies House website, or just use the following text, according to which kind of company you have.

#### **1. Companies Limited by Shares**

Companies Limited by Shares should use the following text, followed by each member's name and their signature and the date at the bottom:

*"Memorandum of Association of NAME OF COMPANY*

*Each subscriber to this Memorandum of Association wishes to form a Company under the Companies Act 2006 and agrees to become a member of the Company and to take at least one share."*

#### **2. Companies Limited by Guarantee and unlimited companies**

Companies Limited by Guarantee should use the following text, followed by each member's name and their signature and the date at the bottom:

*"Memorandum of Association of NAME OF COMPANY*

*Each subscriber to this Memorandum of Association wishes to form a Company under the Companies Act 2006 and agrees to become a member of the Company."*

### **Drawing up your Articles of Association**

By now you'll have agreed on your articles (constitution). We've provided model articles for a Company Limited by Guarantee in Appendix III. If you prefer you can adapt the model articles available on the Companies House website or use articles drawn up for you by someone else, such as Co-operatives UK or make your own from scratch. Obviously you should only change stuff if you know what you are doing, so whatever you choose to do it's a good idea to get someone who is familiar with both company law and co-ops to check it all over.

#### **Your Objects**

The objects (aims) are optional – if you don't put them in then the law assumes that you have general aims to do pretty much anything that is lawful. We think it's a good idea to have some clear aims (including some relevant to co-operatives) – see Chapter 8 for more on this.

## Entrenched Clauses

Many co-ops wish to protect certain parts of their constitution – such as the workers' co-op status and some of the objects. Unfortunately, it's not possible to protect these completely, but you can make it more difficult for members to change them in future. The usual way is to require a given proportion, often 100% of members, to agree to any big change. You can do this easily just by inserting a sentence at the end of the article you want to protect, stating that it is entrenched and what the conditions are:

*"This article is entrenched in accordance with section 22 of the Act; any alteration to this article requires the approval of 100% of the Members."*

You can choose to have a different proportion of members needed to make a change, as long as the change is always made by passing a special resolution which needs at least three quarters of the votes cast.

## 9.5 How to register Limited Liability Partnerships

LLPs are registered with Companies House. You'll need to get some paperwork together and fill in the necessary forms. Once you've done that you just send it off to Companies House with a cheque.

You'll need:

- **Form LL IN01** (application for the incorporation of a Limited Liability Partnership)
- **and the fee.**

You don't need to send your Partnership Agreement to Companies House, but you should have it all sorted by the time you're ready to register! We haven't included any sample partnership agreements because they vary quite a lot, and you really should seek specific advice on your own circumstances – Co-operatives UK have a model LLP agreement.

*Many co-ops wish to protect certain parts of their constitution... The usual way is to require a given proportion, often 100% of members to agree to any big change.*

### How to fill in form LL IN01

Download the application form to register an LLP (LL IN01) from [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) and fill it in. It should be fairly straightforward because of the helpful notes on the form. Here are a few more notes to help:

#### Part 1

Obviously you need to have a name for your co-op. There are certain kinds of names you can't use – such as anything similar to names already in use. There's more guidance on the Companies House website on this.



*Coop Lunch Photo: Organiclea*

**Members' designation:** you will need at least two designated members who are responsible for keeping up with all the paperwork that Companies House requires (changes in membership, accounts etc.). More designated members gives greater flexibility in filing, but places more people at risk of fines if you fail to file on time.

Tick yes to the box saying all members will be designated if all members are to be equal. If you tick 'no', you will need to make sure that at least two members are marked as designated when their details are entered on the form further down.

### **Part 2**

**Member Appointments:** If you have more than 2 members you may need to print out these pages more than once (or download the "continuation pages – members") from the Companies House website since the details of every member are required.

If any of your members is incorporated (for example, a member is another co-op) then you will need to fill in the details in the "corporate member appointments" section.

## **9.6 Converting an existing business into a workers' co-op**

If you have an existing business that you wish to convert into a workers' co-op then you should seek advice. It's often as simple as registering a change to the articles, but it all depends on what form the business currently has, what form you want it to have as a co-op and whether the business has any contracts or liabilities that may affect the future co-op – Chapter 5 has more on this.

# 10. Starting to trade

Once your business plan and your finances are in place and you've registered your co-op, you still need to set up a bank account, contact the tax office and arrange insurance before you can start trading.

## 10.1 Bank accounts

You need at least a current account and, if you're borrowing money, a savings account. Any accounts should be held in the full name of the company (including 'Ltd' if that's part of the name) with at least two members as signatories (more can be useful). If your business has five or more members, at least two members should be required to sign for (or authorise) any transaction, whether that's cheques, telephone or online banking. Experience tells us that no one individual should be entrusted with too much control over financial matters, but you do need to balance the risk with the need to authorise payments easily.

(Chapter 7 covers a bit more about the ethics of banking).

### Current account

You will need a business banking account for your daily transactions such as paying in cash, writing cheques, making bank transfers and having an overdraft. Most banks charge for these transactions and the tariffs vary greatly.

Triodos and the Unity Trust Bank offer current account facilities. For organisations with an annual income of under £50,000 the Unity Trust Bank doesn't charge for standard transactions. Because neither have high street branches, paying in money has to happen via other banks. The Triodos current account is administered via the RBS and Unity Trust uses Natwest. The Unity Trust Bank also has favourable terms for workers' co-ops (contact details are listed in Appendix II). The Co-operative Bank offers free banking at the time of writing, but given that it is now majority owned by hedge funds there are questions about its status as an 'ethical' bank.

### Savings account

*Experience tells us that no one individual should be entrusted with too much control over financial matters...*

Hopefully you'll be able to build up some reserves for when business is slow or for future repairs. If you keep this in a separate account you can earn some interest on it, although at time of writing interest rates are very low.

You'll need to find a balance between interest rates, your ethics and how easily you can get to the money. For ethical savings accounts try the Ecology Building Society or Triodos. You can also invest in Rootstock, which lends money only to member co-ops of Radical Routes, or in Co-operative & Community Finance, which only lends to co-ops and social enterprises.

## Accepting card payments – Merchant Accounts

Many customers nowadays prefer to pay by card and you need to decide whether you want to accommodate this or stick to cash, cheque and direct transfers only. To accept cards through a machine or on the internet you need a *Merchant Account* with an *Acquiring Bank*. Currently, nine UK banks offer this service and smaller banks (including the Co-operative Bank) have a contract with one of these.

Accepting card payments is costly: a fee for setting it up, a hire fee for the machine and a percentage of payments (credit cards 2-6%) or a set fee per payment (debit cards). On top of that, the money does not go straight into your account, but the bank holds on to it for a few days to speculate with. This means that a percentage of all your card takings goes straight into the pockets of the likes of RBS (WorldPay), Barclays, Lloyds or HSBC, even if you use ethical banks for your accounts.

Depending on your business it might work perfectly well not to accept cards. Customers in small shops and cafés, for example, are becoming more understanding and willing to get cash from a machine than they were just a couple of years ago. This is partly due to the rise of card fraud and an increasing awareness of the cost to businesses.

If you do decide to accept cards you need to integrate the costs into your income and expenditure projections. To do this, you will have to estimate the percentage of sales made via cards.

## 10.2 Taxes

When you start trading you should let the tax office (Her Majesty's Revenue & Customs – HMRC) know. Theoretically your regulator (if you have one) should let HMRC know, but it's worth doing it yourself too, since they really don't like not knowing that you've started up and may fine you.



If your members are employees, once you start paying wages or salaries you should register as an employer for PAYE (Pay As

You Earn income

tax and National Insurance). Look on the employers' section at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) for details about the current rules and what information they require. You will need the form CT41G within the businesses and corporations section on their website. We also advise you to download the 'Basic PAYE tools' programme that HMRC provides to help people calculate their PAYE submissions.'

If your co-op is a partnership (whether unlimited or LLP) or your members are self-employed then each individual will have to tell HMRC that they are self-employed and in a partnership/co-op, so that they can send you a self-assessment tax form. Have a look at the HMRC website ([www.hmrc.gov.uk](http://www.hmrc.gov.uk)) to find out how to register your business and/or yourself if you are to be self-employed. LLPs need to register using forms SA 400, SA 401 and SA 402.

## VAT

You don't have to register for VAT at all unless your annual taxable turnover goes over a certain threshold. In 2015-16 the VAT registration threshold is £82,000 over the previous 12 months. This is a bit confusing because £82,000 isn't necessarily the same as your total turnover.

Not all goods and services are VAT taxable – the threshold refers only to turnover of VAT taxable goods and services, and not those that are VAT exempt such as education and training. To make it even more confusing some goods (such as food and books) are zero rated. This means they count towards the VAT registration threshold, but you won't pay VAT on them.

Most new workers' co-ops don't have to worry about this – however, there can be some advantages to registering for VAT voluntarily. Once you are registered, you can claim VAT back on the things that you buy, and then charge your customers VAT on the things you sell. If everything you buy is passed on to your customers (for example a bike co-op might buy in spare parts and charge their customers for this as part of the repair cost) then there is no benefit to being VAT registered.

However, if your start up costs include a lot of things you will keep like tools of equipment for the business, then claiming back the VAT could make a big financial difference. It is possible to backdate your VAT registration, and so reclaim VAT on things you paid for before you were registered.

It's worth getting advice on VAT because it can be so confusing, but [www.hmrc.gov.uk](http://www.hmrc.gov.uk) has all the information on the current rules.

## 10.3 Insurance

If you employ anyone you'll need to make sure you have employer's liability insurance from the start, and you need to make sure that all employees (yourselves) have access to the policy (your insurers will send you a certificate to hang on the wall). Depending on what you are doing, you are likely to want public liability insurance as well, possibly product liability and maybe various other business insurances.



*“What do you mean that was not the final final final version?”*

# 11. Running the business

In this section we have included quite a bit of detail about the things you need to do as part of a workers' co-op. The level of detail in this chapter may seem daunting, but should hopefully give you a picture of the kinds of responsibilities you take on when you set up a business. At the same time, be aware that it is not possible to make this guide totally comprehensive: the law is constantly changing and many of the rules are too complex to explain here. Instead we provide pointers to your main responsibilities as a director or partner/member and indicate where you might find more up-to-date information.

Some of these tasks will vary depending on the legal form of your co-op, so not everything will be relevant to you. For up-to-date information keep an eye on [www.gov.uk](http://www.gov.uk) pages for HMRC and business support (see Appendix II H) and sign up at [www.acas.org.uk](http://www.acas.org.uk) for updates on employment law changes.

## 11.1 Being an employer

Unless you are in a partnership or a co-operative consortium and all workers count as self-employed, most of the law governing employers will also apply to you, even if the people you are employing are yourselves!

Some rules can be waived: for example, if you are a director and you have a completely free choice over when you work, then you can put in as many hours as you want in a given week and you can be exempt from National Minimum Wage rates.

However, self-exploitation can be a real danger in these situations: if you are working more than the legal maximum, you should think about cutting down.

### Contracts

If you are an employee then you will have a contract between you and the co-op – whether or not this is written down on a piece of paper.

If you are a director, you can work for the company as needed without being an employee. However, once you have an employment contract and/or a set wage, you are considered an employee and are covered by employment legislation on issues such as minimum wage, the working time directive and sickness and parental pay. If you are happy to be an employee, but you don't have a written contract then you should give yourselves a 'written statement' detailing the kind of things a contract would normally include: pay, hours of work, period of notice, holidays etc.

There are templates for a 'written statement of employment particulars' on [www.gov.uk](http://www.gov.uk) and at [www.acas.org.uk](http://www.acas.org.uk) on which you could base a written statement for your co-op, or you can use the sample employment contract at the end of this handbook.

### Working hours and holidays

The law governs things like how many hours you can work in a week and how long you can work without a break. This will depend on a number of factors: for example people under 18 need more frequent breaks.

For holidays, the legal minimum (if you give yourselves contracts) is 28 paid days (5.6 weeks) per year, or equivalent pro rata for part time staff. As an employer you can decide that this includes bank holidays, which would take the rest of the annual leave allowance down to 20 days or pro rata equivalent. Don't forget that any regular workers, even if only casual, are classed as employees and eligible for holidays and other benefits.

### **Unions**

In terms of the legal minimum, if you employ 21 people or more and the majority want a union to be recognised then you must recognise it. This means the union can get involved in negotiating work conditions and representatives get time off to do union work. Of course you can choose to join and recognise unions anyway, whether or not you anticipate needing one to represent you.

### **Paying yourselves: admin**

Paying wages comes with a lot of admin, which can feel quite daunting, but is actually fairly straight-forward. HMRC run free half-day courses for employers to go through PAYE and also for other aspects of the tax system (e.g. end-of-year procedures). Here we have outlined the basics, and a few things to be aware of.

***Don't forget that any regular workers, even if only casual, are classed as employees and eligible for holidays and other benefits.***

***HMRC run free half-day courses for employers to go through PAYE.***

Each time you pay yourselves, you need to report to HMRC – and with a small number of exceptions this needs to happen online. You will provide details about how much you were paid and any deductions due to income tax, National Insurance or student loan repayments. Also provide details of any statutory payments – statutory sick pay can no longer be reclaimed from the state, but statutory maternity/paternity pay can. Most businesses are now eligible for an Employment Allowance which enables them to reclaim the first £2000 of Employer's National Insurance contributions – see more details at gov.uk. If you expect your monthly payments to HMRC to be less than £1500 you can request to pay them quarterly – in which case hang on to the money you have deducted and make a single payment at the end of the quarter. You must indicate when you make the final payment in the tax year (which runs April – March) so that they can calculate whether you have paid the right amount. You can offset any amount you have overpaid against the next payment, or, in some cases, reclaim it directly from HMRC. You also need to fill in a form P60 for each employee and make sure you all keep them for your records. More details can be found here:  
[www.hmrc.gov.uk/payerti/index.htm](http://www.hmrc.gov.uk/payerti/index.htm)

Be aware of 'benefits in kind': in other words, things you provide yourselves for free, like accommodation, meals or even train tickets. The employee (you) will pay tax on some of these, and the employer (the co-op) may pay National Insurance contributions.

Which 'benefits in kind' are taxable depend on things like whether they are necessary for your job, and (for non-directors) which income bracket you fall into.

If you count as self employed (working in a partnership, for example) and earn less than a certain amount, you generally don't have to pay any National Insurance (NI), but can choose to do so voluntarily. Paying NI entitles you to parental allowance and builds up your state pension. You won't get Statutory Sick Pay if you're ill, but will be able to apply for Employment Support Allowance. If you stop working you won't be able to claim contribution-based Job Seekers Allowance, even if you've been paying your self-employed NI, but you may be able to claim income-based JSA. Again, there are some expenses on which you won't have to pay tax or NI, if they are necessary for your business – check [www.hmrc.gov.uk](http://www.hmrc.gov.uk) for the current rules for self-employed people.



## **Paying dividends instead of wages**

By paying co-op dividends in lieu of some wages, a co-op may be able to reduce its NI bill. This only works for Co-operative Societies and Companies Limited by Shares. The dividends are paid according to the amount of trading a member has done with the co-op – in the case of workers' co-ops this is usually the number of hours worked.

The process differs slightly between Companies Limited by Shares and Co-operative Societies, because the dividends are taxed differently, but in both cases the payments are not subject to NI. Actually using this system can get quite complex, and the few co-ops that we spoke to which pay some wages by dividends all pay accountants to look after the running of it all. Generally, for a small co-op with low paid workers, National Insurance is just not going to be a significant enough proportion of overall outgoings for it to be worth it.

## **Sick pay and parental leave**

You can choose to pay yourselves as much sick pay as you can afford to, but the legal minimum depends on how much you earn and how long you are ill. See <https://www.gov.uk/employers-sick-pay/overview> for more details on this.

New parents are also entitled to paid leave. This can now be shared between two parents, both together or in separate blocks. See the requirements for eligibility etc here:  
<https://www.gov.uk/shared-parental-leave-and-pay-employer-guide/overview>

Adoptive and birth parents are also entitled to unpaid parental leave while a child is growing up – this must be taken in the first five years (or 18 years, if the child is considered disabled). This applies to birth and adoptive parents, but not foster carers.

You are also entitled to time off work, unpaid, to deal with emergencies involving your dependants (which could include your partner, parents or anyone who lives in your household as part of your family, but not friends). This right usually only allows you enough time to sort out alternative arrangements, not to look after someone yourself.

### **Pensions and Auto-enrolment**

Between 2012 and 2017, all employers (starting with the biggest and finishing with the smallest) must enrol their eligible workers into a Workplace Pension, if they:

1. Are between 22 and state pension age
2. Earn more than a £10,000 (2015-16 minimum); and
3. Work, or ordinarily work, in the UK (under their contract).

The co-op must make all the arrangements, so the individual is automatically enrolled.

Once your Workplace Pension has been set up, both the co-op and the worker will be required to contribute for each eligible worker. Contribution levels start at 1% by the Employer and 1% by worker. The Government will also pay into it, in the form of tax relief.

Any workers wishing to opt out have to be enrolled first and then have 1 month to opt out. If they do opt out, the co-op no longer needs to make contributions for them. Workers who are not eligible can opt into the co-op's workplace pension scheme, and the co-op may choose to contribute for them too.

If all the members of the co-op are directors without employment contracts, they and the co-op are exempt.

The first thing the co-op needs to do is to know when the law will affect you (your 'Staging Date'). The Pensions Regulator should write to you confirming your staging date 12 months before it actually happens or you can check your date at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).

Allow 6-12 months to get the co-op ready for Auto Enrolment.

Contact other workers co-ops to find out which pensions company they use, or an Independent Financial Advisor (IFA), for example Co-operative Wealth ([wealth.coop](http://wealth.coop)), which specialises in workplace pensions for co-ops.

## Staff joining and leaving

When you employ yourselves for the first time, or if a new member of staff joins, you need to notify HMRC before the first pay date. Gather information about the new employee such as their full name and National Insurance details, and include it in the submission you make when you pay them. When staff leave you must include the date of leaving in the final submission you make to HMRC, as well as completing form P45 for their records. Full details are currently available here: [www.hmrc.gov.uk/payerti/index.htm](http://www.hmrc.gov.uk/payerti/index.htm)

## Recruitment

Recruitment can be a long and demanding process, but by doing it properly you can ensure that the process is fair to the applicants and increase your chances of finding the right person. Here are some of the things to think about:

- Draw up a person specification (knowledge, skills, experience and attitude needed for the post).
- Draw up a job description describing the main tasks and conditions of employment.
- Check that both of these take into account the skills needed to be a member of the co-op (e.g. taking part in collective decision making) as well as the skills needed for their role.
- Assess candidates and interviewees against the person specification
- Check at each stage that you are not being unfairly discriminatory (in your decisions or how you write your person specification, job descriptions, adverts etc.)

It's important to get the job description and person specification right, since they will provide the basis for reviews and holding people accountable for their work – even up to being involved in a disciplinary procedure. Some co-ops have a specific 'member job description' – which outlines the responsibilities and skills needed to take part in the democratic running of the co-op as a whole. Contacting other co-ops and asking for the content of their member job descriptions could give you a guide to the kind of thing you might want to include in this.

Most co-ops have a probationary period for new recruits – six months is common, with some co-ops having probationary periods of up to twelve months. This is a time for everyone to work out how well they fit together, before making a decision on someone becoming a member of the co-op.

For more information on redundancy and dismissal see Chapter 12.

## Health and Safety and Insurance

If you have five or more employees, you must by law have a written health and safety policy. This includes a risk assessment and clear guidelines as to who should be doing what to avoid accidents or other occupational hazards. More details and templates can be found on the HSE website: [www.hse.gov.uk](http://www.hse.gov.uk)

All workplaces need to display a health and safety poster, keep a first aid box and appoint someone who is responsible for 'first aid arrangements', like keeping the box stocked and calling emergency services where necessary. You might also choose to have someone trained in administering first aid. All work-related accidents ought to be noted in an accident book and more serious accidents or work-related health problems should be recorded and reported immediately to the Health and Safety Executive.

All employers are required to have employer's liability insurance – see Chapter 10.

### **Grievance and disciplinary procedures**

While setting up a co-op, it's difficult to imagine that you'll ever need grievance or disciplinary procedures. But if something does go horribly wrong, then having a legally recognised process to ask a member to change their behaviour is essential. It will not only help you through the process, but if a member ever does take the co-op to an employment tribunal it will go against the co-op if there was no procedure in place.

You should therefore take the time to create grievance and disciplinary procedures before you need them. Hopefully they'll never be used, but if you ever do need these procedures that's generally not a good time to be trying to work them out! Also, you shouldn't be afraid to use these procedures when serious cases come up.

Make sure you make your procedures available to all members – in writing. Include your disciplinary rules, including examples of what behaviours are and aren't acceptable, what the disciplinary procedure is and where someone should go if they aren't happy with a disciplinary decision. Sample grievance and disciplinary procedures are included in Appendix V, or ask other Radical Routes co-ops.

See Chapter 12 for more details on dealing with misconduct by a member, reviews and dealing with conflict, which will hopefully help you deal with any issues before they become problems.

### **Other Policies**

You may decide to develop other policies to guide your decisions and the day-to-day running of the co-op. Other areas to think about include: confidentiality, recruitment, sick leave and pay, volunteer, environmental, ethical, equality and diversity policies. If you are working with children or vulnerable adults you will need relevant policies and may need DBS (Disclosure and Barring Service) checks - previously called CRB checks. For details visit [www.gov.uk/disclosure-barring-service-check/overview](http://www.gov.uk/disclosure-barring-service-check/overview) .

Have a look at Simply Governance published by Co-operatives UK for some ideas on what these policies could include. The National Council for Voluntary Organisations has a large collection of policies in their HR Bank on their website [www.ncvo.org.uk/ncvo-volunteering](http://www.ncvo.org.uk/ncvo-volunteering).

## 11.2 Finances

Directors are responsible for the honesty of the co-op's financial dealings. Examples of dishonest behaviour include: trading with intent to defraud creditors, trading whilst directors should be aware that the co-op is insolvent and failing to keep to contractual agreements (for example using grant money for purposes other than that agreed with the funders). Any director who knows or ought to have known about this becomes personally liable.

### Keeping records

Directors also have a responsibility to make sure the co-op's finances are well-managed – as a director you should be constantly aware of the co-op's financial situation and make sure that adequate accounts and records are kept.

(Chapter 6 has more information on book-keeping). All directors can be fined or imprisoned if adequate financial controls are not in place.

It is essential that you keep proper records of all income and expenditure in a book or on appropriate computer software. Back-ups of computer accounts should be taken weekly and, ideally, kept off the premises for additional security. You must keep records of all transactions through your bank account(s) and your petty cash. Your cheque stubs, paying-in slips and bank statements are required for your records.

File the receipts, keep bills for anything you pay for and file copies of any invoices you produce. HMRC do random checks on paperwork, as well as targeting any businesses of which they are suspicious.

### Accounts

Your accounts are a record of everything that happens to your money over a fixed period, usually a year. When you first register with HMRC, you will need to choose the dates for your financial year (also called an accounting period). You can choose any 12 month period – the official tax year runs April-March, but many businesses use January-December for their own financial year. It's a good idea to set the

end of your financial year at a quiet time for your business,

so you have time to do all the paperwork. You may also need to do a full stock-take to get an accurate figure for your assets.

*It's a good idea to set the end of your financial year at a quiet time for your business, so you have time to do all the paperwork.*

Your first financial year can end up to 18 months after your incorporation. At the end of a financial year, year-end accounts need to be drawn up. With a little bit of patience most co-ops should be able to produce their own accounts. You can also employ an accountant to do this although it can be expensive for a small co-op and it is not a legal requirement to use one.

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Established in 1997

## Filing your accounts and annual returns

If you are incorporated (see Chapter 8) it's a legal requirement to send your annual accounts to the relevant regulator (Companies House for companies and partnerships, the FCA for Co-operative Societies). You are also required to send in an **annual return**. This provides a snapshot of basic information about a company like the names of directors, the registered address and any share capital. This is when you pay your annual registration fee. Your regulator will send you the form (or a reminder to do it on the internet), but check when it is due because notices can get lost in the post, and there are fines for late returns.

### *Annual Accounts and Annual Returns for Co-operative Societies*

For Co-operative Societies the Annual Accounts and the Annual Return are part of the same form that you need to download from the regulator's website, fill in and post back. The form is fairly straightforward to fill in and must be sent off within 7 months after the end of your financial year. If you are a small co-operative society you can send in abbreviated accounts, meaning you have to include less information.

### *Annual Accounts and Annual Returns for Companies and LLPs*

Companies and LLPs must send their accounts to Companies House nine months after the end of their financial year. If you are a small company you can send in abbreviated accounts, meaning you have to include less information.

Year-end accounts usually consist of two documents (samples are in Appendix VI and VII):

- A summary of the year's income and expenditure; and
- A balance sheet: a calculation of the current balance of the value of all assets (e.g. money, equipment, buildings, stock, payments due to you) and liabilities (loans and other money owed by you).

The year-end accounts must be agreed by the directors (or possibly all members, depending on your constitution). Smaller companies can choose to provide an 'abbreviated balance sheet', which is shorter and simpler than a full set of accounts.

For details of what you need to send in check the website [www.gov.uk/government/organisations/companies-house](http://www.gov.uk/government/organisations/companies-house). You can either send in a paper statement or you can file your annual accounts online, which makes it very straightforward. You can find an example in Appendix VI.

The annual return for companies and LLPs is due on the date of incorporation. Companies House will send you a notice and then you can file it online on their website. This is also when your annual registration fee is due.

You must also submit your accounts to HMRC together with a corporation tax return (see below).

## Audits

Larger companies are required to have their year-end accounts externally audited (independently examined and verified). This is a lengthy and expensive process, and smaller companies and co-operative societies can choose not to. In the case of co-operative societies you can only choose to waive the audit if your constitution explicitly allows you to do this and you have formally agreed the audit exemption at a meeting. Check your regulating body (i.e. the FCA or Companies House) for the current rules about who counts as small enough to be exempt from the audit requirement.

***Co-operatives can only choose to waive the audit if your constitution explicitly allows you to do this and you have formally agreed the audit exemption at a meeting.***

## Corporation Tax

Corporation tax is charged on the profits of Companies and Co-operative Societies. These profits include income from trading, but not always from donations or funding grants.

You must pay your corporation tax to HMRC within nine months of the end of your financial year, and file the

associated documentation (Form CT600) within 12 months of the end of your financial year. It is now done via an online form.

Partnerships don't pay corporation tax, but members must file individual self-assessment tax returns, as well as partnership supplementary pages and a Partnership return.

## VAT returns

If you are registered for VAT, standard practice is to file a return to HMRC and make your payments (or claim your refunds) every quarter of your financial year (i.e. not

necessarily April to March, but the year you use for your accounting).

Since April 2012 this has had to be done online.

There are a variety of options for how to calculate your VAT depending on your circumstances, see [www.hmrc.gov.uk](http://www.hmrc.gov.uk) for more details.

***You still need to be able to look ahead and guess what's coming, and ensure that your co-op is in good enough shape to deal with it all.***

## Looking ahead

If your co-op has got this far you may have thought that all the business plans and cash-flow forecasts were behind you. But all the planning and forecasting tools you used during start up are still useful after your first year of trading.

You still need to be able to look ahead and guess what's coming, and ensure that your co-op is in good enough shape to deal with it all. It's a good idea to regularly review your business plan, and see what needs to be changed.

### Checklist:

#### **A year in the life of a co-op**

The timetable for most of these tasks will be different for each co-op, depending on when you set yourselves up. For example, you can set your financial year when you like. This doesn't affect when you have to do your PAYE returns, but does affect other things like when you need to draw up your accounts.

#### **Every month / week**

- Submit details of wages paid to employees, as well as tax, National Insurance, sick/parental pay etc. If you pay quarterly, hang on to the money you have deducted until you send it off to the tax office at the end of the quarter. Otherwise pay them now.
- Check you are on top of all record keeping: sales, receipts, invoices, payments, etc.
- Pay rent / mortgage and other bills.
- VAT returns (if you are VAT registered and paying monthly).

#### **Every quarter**

- If you are paying HMRC quarterly, then make sure to send in all the money due for the last three months.
- VAT returns (if you are VAT registered and paying quarterly).

#### **Once a year**

- Prepare accounts, agree them and minute the agreement.
- Annual return and fee to your regulator.
- Balance Sheet to your regulator, with the Annual Return.
- Corporation Tax Return (or Income Tax for members of a partnership) with computations and accounts (Balance Sheet and Income and Expenditure accounts) to HMRC.
- Fill in P60 forms for your employees' records. Make sure you have notified HMRC that you have paid your employees for the last time in the year.
- Insurance payment – employer's liability as a minimum and possibly also public liability.

## **11.3 General Responsibilities**

### **Fire Regulations**

Contact your local Fire Authority to find out what they would recommend for your building, talk to your architect if you are using one, and find a Fire Contractor to install an alarm system (for lots of money), with whom you will also need to contract to maintain the system. You may also need to arrange professional servicing of fire extinguishers at least annually.

### **Food Hygiene**

If you are planning to serve food to the public, you will need to be a registered food business that maintains food hygiene standards. To register a food business, all you need to do is fill in a form from the council. Names of people 'in charge' will be needed as well as a vague idea of what will be served. Food hygiene inspectors will check your premises and give advice.

### **Public Liability Insurance**

If you deal with the public, or they have access to your premises you will need public liability insurance – this is usually a part of general business insurance.

### **Negligence**

As a director you have a legal responsibility to act honestly and in good faith for the benefit of the co-op and to exercise skill and care. This means looking after the co-op's finances and any employees or members of the public who might be affected by what you do. Even if the company has limited liability, you can still be prosecuted as an individual if you are found to be neglecting your responsibilities or if the company breaks the law. This sounds scary, but it is simply a question of doing your job honestly and well and being aware of the laws that govern things like employment, accounting, health and safety and tax.

## 12. Working together – day to day

In a collectively run co-op we are all managers – we have a responsibility not just to look after the business side of things, but after each other too. Co-operators should support each other in their work, make sure it is being done well and that relations between members are working smoothly. This can be one of the trickiest things to achieve in a co-op – it can be difficult to give our mates feedback and sometimes serious problems need to be confronted. This chapter provides some thoughts on issues that often come up in co-ops.

### 12.1 Communication issues

Clear communication goes a long way to making sure that the co-op runs smoothly, both in terms of getting work done and your relations within the co-op and with your customers and suppliers.

As members of a co-op you share the responsibility of running the business, so it's important that all co-op members have access to the information to do so. If something important happens, you'll want a way of telling all co-op members as soon as possible (e.g. a break-in, or the toilets being flooded). Not being told about issues that have come up can make you feel dis-empowered, not needed or unappreciated.

Continuity can also be a problem. For example, if just one co-op member is working on a particular job, and they suddenly became ill, someone else needs to be able to take over that job.

Not everyone needs to know the ins and outs of a particular bit of co-op admin, (e.g. details about how to make an insurance claim), but the information should be available to anyone who wanted to check.

It's vital to come across to your customers and suppliers as efficient, capable and reliable. It is embarrassing to be faced with a phone call from a supplier complaining that an invoice has not been paid even though they've already rung about it several times, or a customer who has ordered something, but the order details got lost in transit between co-op members.

Think about systems for:

- **Quick and easy communication between all members** about the day-to-day running of the business, e.g. passing on info about customers, job details, suppliers, and their requirements, progress and who's responsible for each element of delivery. This also includes meeting dates and times, new ideas, events and other news.

*We have  
a responsibility  
not just to look after  
the business side of  
things, but after each  
other too.*

- **Clear and reliable systems for communicating with your customers and suppliers** about costs, product details, deadlines and whether you need any more information from them.
- **Keeping all business-related information accessible to all co-op members**, for example info about suppliers and ordering, annual reports, the financial situation, minutes of meetings, equipment manuals and warranties, insurance details etc.

Meetings play an important role in keeping communication going within the co-op. Have regular meetings with a standard agenda that goes through key areas of your business, e.g. staffing and workloads, repairs and maintenance, finance, advertising, problems etc. Make sure you write clear minutes and store them in an accessible place.

For day-to-day communication, you could use a combination of a notice board, a large diary or note-book and electronic communication, such as email or wikis.

Store key information in well-labelled folders that everyone can access (real ones in the office or a shared folder on a computer), so that everyone can find it easily. A folder of written instructions for how to do each particular job can be really handy, if someone gets ill and other people need to stand in, or if a key co-op member leaves the co-op.

To share information between different working groups within your co-op you could post decisions and minutes on noticeboards (or their computer equivalents). Decisions, proposals and questions that a working group wants other groups to take note of can then be flagged for their attention.



**Case Study:**  
**Footprint Workers Co-op**

We have 5 members and we don't specialise, i.e. we all do estimating, printing, finishing and dealing with customers – so any part of any job might have been done by anyone.

Most of us are in three days a week, but often someone is away or only working a day or two in a week. This means that very often you come into work without knowing what's going on. Footprint therefore operates with multiple channels of communication:

*continued opposite*

1. We have a database of customers and their jobs, which details contact information, job requirements and deadlines, the cost to us of doing a job, the price quoted to the customer and payment information and has space for other notes and reminders. From this, we can print a report showing all jobs currently in progress, who owes us money and our sales over a given period and we can search for information.
2. We have a daily morning meeting to distribute work and update each other on what's happening with each job. When there were fewer of us, these meetings were only once or twice a week. Sometimes an email handover is needed from one day to the next if there is no continuity of staffing.
3. We have a monthly meeting to discuss wider issues – policies, events, finances, equipment, new procedures, new members, publicity, problems, etc.
4. Each job has a paper 'job sheet', with print, finishing and delivery details. We can scribble updated information on this as elements of each job are completed. These sheets start off on the 'pre-press' clipboard and move through 'in progress' to the 'finishing' clipboard.

*There is also a 'questions' spreadsheet, which is opened automatically when we start up our computer.*



5. We have an email list for Footprint members to discuss issues.
6. To complement that, there is also a 'questions' spreadsheet, which is opened automatically when we start up our computer – answers are noted, so that everyone can see them and they're left up for a while to serve as a reminder for doing things properly.
7. We have a whiteboard and numerous bits of paper on the walls, showing: annual accounting and reporting dates, courier prices, costing and time estimating information, supplier contact info, agenda items for the next meeting, details of various memberships (e.g. of Co-operatives UK), a shopping list, paper sizes and weights, reminders of how to do things, etc.
8. Our email system is internet-based, so it can be open on multiple computers at once. We use the archives and sent folder to track correspondence with customers if various different Footprinters have been dealing with them. Emails can be marked as 'important' and 'dealt with', and can be moved into different folders (e.g. 'keep', 'Radical Routes', 'HMRC', etc.).

## 12.2 Democratic decision-making

Good processes for decision-making in the co-op are key for keeping all co-op members engaged and involved. Co-op members are much more likely to stay committed to the co-op if they feel valued and their ideas and concerns are taken into account in the day-to-day life of the co-op. It can be tempting for a couple of people who are working on a given day to find quick solutions to issues that come up, but this needs a lot of sensitivity as other co-op members may feel excluded or be faced with a fait accompli. If, for example, a roof starts leaking, this might feel very urgent, so a builder could get called in quickly without consulting everyone. However, had there been time for a meeting, members might have decided that it would make sense to tarp it over and then later replace the roof with a green roof, add more insulation or get solar panels installed at the same time, rather than spending money on fixing the old, uninsulated roof.

It's a good idea to talk in advance about the types of decisions that individuals can make and which decisions should go to a full meeting or at least involve consulting everyone. Understanding what's important to different co-op members, what kind of issues they care about, will also help in working out what issues need to involve whom. Chapter 4 gives an introduction to both voting and consensus decision-making and some techniques for good meetings.



## 12.3 Pay, distribution of workload and sustainability

### A living wage and fair pay

Most workers' co-op are set up with the aim of providing their members with a way of making a living. A living wage is more than what you need to subsist on at the basic level. Workers' co-ops will only retain their members over the years if they are paid a wage that allows them to look after themselves, have holidays, have a comfortable home, get decent food, raise children and look after their health. Falling into the trap of self-exploitation is one of the greatest dangers of working in a co-op. If you can't make a decent livelihood from your co-op, then maybe you need to have a serious look at your business plan.

There are a number of different approaches to how to distribute pay within co-ops. Many co-ops have a pay structure where

everyone gets paid the same hourly rate, regardless of what job they do.

Other co-ops pay a wage according to

need – someone with no dependants might have a lower wage than a single parent. Some co-ops start new members on a low wage, which then increases with length of membership, as a kind of loyalty bonus. Some co-ops pay different rates according to the job done. Whatever pay structure you decide on, make sure that everyone agrees it's fair and is happy with it.

## Workloads

Another important aspect of looking after each other is to make sure that workloads are fairly distributed and sustainable in the long run.

In the setting-up phase or in difficult periods, it's likely that everyone is working very hard, doing lots of unpaid overtime and getting paid little. It may also be tricky to take holidays. However things should get easier and you should aim for a sustainable work-life balance.

When **Calverts workers' co-op** was insolvent and having cash-flow crises in the early '90s, part of the turnaround plan was to go up from 35 to 37.5 hours, but indefinitely deferring payment of the extra hours' wages (and any overtime above the 37.5), with a collective undertaking to pay when we could. We kept scrupulous track of the unpaid hours and eventually paid them all back.

This means working out staffing levels that allow enough time to do jobs well within paid working hours. It can be very frustrating or stressful if you always feel like there is a mountain of work waiting, even though you are working as hard as you can. Being able to give proper attention to a job, doing it well and taking pride in it is a big part of job satisfaction. Work out how much time it takes to do each job and factor in time for lunch breaks, holidays and sick cover. If people end up doing overtime it's good to give people the option of whether they'd like to be paid for it or prefer to take time off in lieu.

The feeling that you are doing more work and work harder than others can also rankle and cause friction. Inevitably people have different standards of work and some people may see jobs that need doing that other people feel are just unnecessary. This could be as basic as cleaning and tidying or be about the quality of your product or admin tasks. People often end up taking on more and more jobs because others aren't doing them. Even worse, you might not notice that someone else is getting increasingly stressed and pissed off.

On the flip side, you may put in less and less effort because you feel that any effort you do put in goes unnoticed and unappreciated anyway. Or some members end up with a lot of the boring, tedious, difficult or unpleasant tasks, maybe because others don't have the skills to do them. For example, someone might feel obliged to do all the computer maintenance, even though they dislike the job as much as the next person. Aim for a fair distribution of boring, responsible and fun jobs and start learning skills in an area you don't enjoy, so you can share out unpleasant tasks.

In all these cases you really need to talk about it and redress the balance. If you don't, it can make for a very unpleasant atmosphere. You may well lose a hard-working member of the co-op and be stuck without knowing how to do their job on top of that. Some co-ops have regular reviews about workloads, which makes it easier for people to speak up if they think that the current distribution of work is unfair.

## 12.4 Informal hierarchies

You may have chosen to set up your co-op as a non-hierarchical organisation in which you are all equal, but you will need to work at making that a reality. In any group of people there will be differences of personality and confidence, of knowledge and experience and different levels of emotional, physical or financial investment in the project.

In themselves, these differences are not a problem, in fact that's what makes working together rewarding and interesting.

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However, you need to be aware that participating in decision-making will be easier for some people than others, and that for each person this can vary from topic to topic.

If this becomes a regular pattern, it can lead to informal hierarchies, where people with more confidence, experience or skills have a larger share of power within the co-op than others. For example, if only one person has a grasp of the co-op's finances they will inevitably have more influence over a lot of decisions than other co-op members. Avoiding or breaking down informal hierarchies needs active engagement from all members of the co-op. It requires honesty about where there are differences in confidence, skills and experience and a willingness of all members to learn and share knowledge.

### **Different levels of confidence**

While some people are used to expressing their opinions and making their voice heard, other people may struggle with identifying their own needs and asking others to meet them. Differences can have their roots in things like age, race, class, gender and sexuality or they may stem from other elements of life-experience. Either way they probably involve assumptions and habits that are so ingrained people don't know they are there, so be prepared for change being a long, slow process.

However, there are some practical things you can do to help equalise people's confidence within your co-op. Set up your meetings so that everyone gets the same chances to speak, using strong facilitation and tools like go-rounds that make it easy to participate. Be proactive about checking that the way things are organised works for everyone, especially for the people who find it harder to assert themselves. Watch your own behaviour for signs of dominance or deference and work out how you can change. If necessary, discuss the problem in the way you might in another conflict situation, trying to talk as concretely as possible about the behaviour you observe and your own feelings, but avoiding blame and accusations.

### **Valuing different skills**

Another point to be mindful about is that in any given co-op there are people coming from very different backgrounds and with different sets of skills. Even with a belief in human equality, people can perceive certain skills as being more prestigious or useful than others. For example, someone with a background in formal education might feel more confident to take on 'responsible' tasks like business planning or speaking to official outsiders, even though they may be no more capable than anyone else. This person may then find themselves regarded as more important to the co-op or more influential than other members. Effort must be made by all to avoid creating and enforcing such beliefs and the hierarchical systems they in turn produce.

### **Differences in experience in the co-op**

People who have been involved longer in the co-op or who have specialist experience may automatically be seen as experts and it may be hard for other members to express different views. Co-op members shouldn't be tempted to automatically look to the person 'in-the-know' to provide answers, but all try to understand the issue. The member in the know needs to be willing to share knowledge, e.g. provide a presentation or talk people through a particular document. Members not in the know need to try and understand pro-actively, ask questions and think issues through for themselves. This may be hard work and take longer, but is the only way to avoid informal hierarchy.

Another common issue is new members coming up with ideas and older members responding with 'Oh, we tried that before and it didn't work'. Co-ops need to find a balance between learning from past experience and being open to change and new ideas. It may be well worth it for older members to set aside their scepticism and to support the enthusiasm and ideas that new members can bring to the co-op, and they can also bring lessons from past attempts. It requires understanding and appreciation from new members that older members have put a lot of work and thought into the co-op and that some ways of working probably developed for good reasons.

More experienced members can support others with particular tasks for a while, but at a certain stage need to step back and leave space for people to do things unsupervised. This can feel challenging, but people are less likely to take on responsibility if they don't feel trusted. One option is to set up a system from the beginning of everyone feeding back to each other on the quality of their work – even if one person is more expert than another both can learn from the process and benefit from the accountability. For example, you could schedule in a debrief session after someone takes on a piece of work independently, or have a slot in your regular meetings in which you offer each person feedback.

It's also the case that some people are naturally better at or get more enjoyment out of project management and forward planning than others. This might lead to them either having more influence on the future path the co-op is taking, or them getting frustrated at the lack of strategic thinking within the rest of the co-op. It needs a willingness from all members to understand the overall running of the business, to take part in strategic thinking and forward planning.

### **Ideas for sharing skills and knowledge**

One of the great things about co-ops is that they can draw upon all the different strengths, knowledge and experiences that different members bring. This offers great opportunities for self-development, as members can learn from each other in a supportive hands-on atmosphere. There are lots of different ways of doing this:

- Induction for new members;
- Members' handbook explaining how the co-op works and how to do the various tasks;
- Rotating roles and responsibilities around members;
- Shadowing;
- Taking on tasks 'for real' but with guidance and/or feedback from someone who has more expertise;
- Running workshops for people to learn new skills;
- Sending people on courses.

## **12.5 New people joining**

Taking on new members is a real challenge in terms of maintaining the direction and values of the co-op and for creating equal relationships which value the strengths and experience of new and existing members.



A lot of trouble can be saved by going through a thorough recruitment process to ensure that new members don't just have the necessary skills, but also share the core values and aims of the co-op.

## Maintaining the culture of the co-op

As old members leave and new members join, the culture as well as the aims and vision of the co-op may change. This can be a healthy evolutionary process or a source of conflict when older members feel that their project is changing out of recognition. There are a few things you can do to ensure that new members share the ideals and ways of working of the existing co-op. This includes a recruitment process where you talk about your ethics, values and vision as well as the details of the job; regular discussions about where the co-op is headed; clear written rules and contracts.

## Probationary membership

Most co-ops offer new workers a probationary membership. Only after the end of the probationary period, which is often six months or a year, does the co-op decide whether to offer full membership and therefore continued employment. Probation is recommended as it is a real test of someone's skills and compatibility with the co-op. It also gives the new person a chance to work out whether they like working in the co-op.

Clear communication is key to making a probation system work well. Make sure the new person knows from the start what skills and qualities are expected of them.

Give regular, considered feedback from the beginning so nothing comes up as a shock at their review.

Be aware of power dynamics. Even if you say that the probation is a two way process, the reality is that the existing members are the ones who decide whether the new person gets to join. It's best to be honest about this. You can however address the unequal power situation by doing feedback as a two way process, making old members' work accountable to the new person as well.

Share knowledge and skills with the new person as quickly as possible so they can contribute fully.

Look at your co-op through a new person's eyes and work out what information they need to know in order to participate. At the same time be aware that one-way sharing of information can reinforce existing hierarchies, so think about what skills the new person can share with everyone else.

*Be aware that one-way sharing of information can reinforce existing hierarchies, so think about what skills the new person can share with everyone else.*

When you get to the end of the probation period, you'll need to make a decision. It can be very hard to reject a probationer after you've worked with them for some time. Remember that you need to find the right person for the co-op – look at the skills and attitude required and decide whether your potential member has got what it takes.

## 12.6 Staff development and reviews

In a conventional job, money and promotion provide motivation as you progress up the career ladder, but this isn't the case in non-hierarchical co-ops. You won't be getting more money, power or responsibility over the years, but you should still be getting better at your job and taking responsibility for this happening.

**Regular reviews** make your work more accountable to your co-op and give you a way to discuss any outstanding work or personal issues. They can also help you identify areas where you can learn more or share more. It's a good idea to set up a standard procedure to measure yourselves against your job description (which lists the tasks and skills involved in your position). The reviews shouldn't be seen as a way of telling people what they are doing wrong – it's about helping the individual to grow their skills and experience, and support the development of the co-op.

Reviews could be annual, or more frequent events. It's important that everyone in the co-op is reviewed in the same way to maintain equality and help prevent informal hierarchies growing.

Scheduling in **regular skill share sessions** between yourselves can be a good way of making sure that tasks can be shared across the co-op and to help people see progress in their and others' work. Depending on what you do, you might also want to arrange outside training to keep up-to-date with new ideas, methods or information.

## 12.7 Non-member employees, casual workers and volunteers

Ideally everyone working for your workers' co-op will be a member of it. However some co-ops will need occasional cover for sickness or seasonal staff or bring in outsiders to do specific jobs like maintaining the computers. There are also co-ops which take on volunteers, on a short or long term basis.

Some co-ops have long-term staff who aren't members, which is a bit of a contradiction. Workers' co-ops are based on the principle that all the workers share equal control over the co-op. Membership must be open to anyone who is eligible, e.g. anyone working for the co-op (the minimum number of hours to be worked can be set out in your constitution) and legally allowed to be a member. So if you have long-term staff who are not members, why is this? Have they been offered membership, but are not interested? If so, why are they not interested? Is there a way of making it attractive to them? Remember that membership must be voluntary, so workers cannot be forced to become members.

Quite often casual staff turn into long-term staff, often because the co-op gets busier. In this case you need to consider whether to offer membership. If you don't feel they are right for membership, you might want to think about an open recruitment process.

This may mean dismissal for the person already working for you. This is not an easy situation and you may decide to just keep the person on as a non-member, but it is very likely that this person will become disillusioned and resentful over the course of time, so honesty might actually be better in the long-run for everyone concerned.

### Working conditions

Be clear with your non-member staff about the working conditions you are offering, what their role and tasks are and what level of participation they are offered in the running of the co-op.

It's best practice to set this out in a contract – this will provide clarity and a reference document for both sides. Include a job description, working hours, breaks, sick leave, holidays. When you decide on these conditions make sure you are not exploiting you non-members and that you are complying with the laws regarding equality of pay and conditions between workers.

### Involvement in decision-making

Have as much clarity as possible about which decisions the non-member takes part in. A good principle here is how much a decision will affect them. Does it have as much impact on them as everyone else, or on the other hand has it more to do with the long term future of the business and your responsibilities as directors and so is less relevant to non-members? You might also decide that there are some decisions where the non-member can input into discussion, but can't take part in decision-making.



[www.counsellingforsocialchange.org.uk](http://www.counsellingforsocialchange.org.uk)

Counselling for Social Change provides emotional support to people working to make a difference. Whether you're an activist, campaigner, carer or relief worker we are here to provide a safe space to discuss any issues that may be impacting on your life and work.

We provide long-term counselling by telephone as well as counselling retreats in rural Cornwall.

Contact [info@counsellingforsocialchange.org.uk](mailto:info@counsellingforsocialchange.org.uk) for more information.

## 12.8 Conflict between members

Everybody in your co-op will have their different needs and ways of working and it is inevitable that at times conflict will arise. Setting up a co-op can provide a lot of potential for conflict: you will be investing a lot of emotional energy in the project; resources and money are likely to be tight, and you probably aren't used to interacting with each other in a work environment. You will probably have different priorities and personal agendas for how money and time should be spent, different ideas about good work-life balances and what constitutes dedication or self-exploitation (for example how much unpaid overtime each person is prepared to do).

At the same time, setting up a new co-op also presents an opportunity to work out good systems from the start – in established groups where something has been done in the same way for years it can be difficult to challenge ingrained patterns of how things are done and what's seen as acceptable behaviour.

Below is an introduction to thinking about, pre-empting and dealing with conflict. More detailed help can be found elsewhere. For example, Co-operatives UK have produced a set of five booklets which can be read online at [www.uk.coop/fromconflict2co-operation](http://www.uk.coop/fromconflict2co-operation).

### **Understanding conflict and ways of dealing with it**

When people use the word conflict they often mean arguments and aggression or at least bad feeling. However, it can also be seen in a more neutral way: as a situation where different people's needs and expectations, or ways of working and communicating, seem to be incompatible. Sometimes the incompatibility is easy to identify, for example people wanting to listen to different radio stations, at other times it is harder to pin down – like having different approaches to risk taking or different ideas about what kind of behaviour is acceptable at work.

It's easy to think we can avoid conflict by keeping quiet about things that are bothering us. But it would be more accurate to say that the conflict is still there and that avoiding the issue is one out of a range of strategies which we can use to deal with it.

When someone always fails to do their share of the washing up, do you lose your temper, make sarcastic comments, keep quiet to keep the peace or have a conversation with them? Our response will often depend on the situation: if someone is having a major life crisis we might be prepared to cut them some slack on the cleaning and tidying without mentioning or resenting it. In another situation a visible display of anger might be just what is needed to clear the air and get the chores distributed more fairly. However, a co-operative approach that values both maintaining strong relationships and finding good solutions to get around the apparent incompatibility works best in most situations.

### **Co-operative approaches to dealing with conflict**

Co-operative approaches to addressing conflict are commonly used in consensus-decision-making in groups. They can also be applied to conflict between individuals. They rely on people expressing their own needs and feelings, respecting those of the other person and together looking for ways of moving forward that keep everyone happy. This is based on the idea that behind the apparent incompatibility of our wishes (Fred wants Salma to do her washing up, she doesn't want to) we have underlying common ground that can help us understand each other (Fred and Salma want to get on with work, for Fred this means having an uncluttered office, for Salma it means eating at her desk and not being interrupted in the middle of something she is working on).

From this deeper understanding of common ground we can build solutions (Salma's dirty washing up hides in the kitchen cupboard until the end of the day, when she will deal with it).

At times of heated emotion, it can be hard to find co-operative solutions, especially when the issue at stake is closer to people's hearts than the washing up! Below are some ideas for how to pre-empt these situations and how to deal with conflict once the emotional temperature has risen.

### **Pre-empting conflict**

In an ideal world, a co-op would think through all possible areas of tension and incompatibility before they started, and work out fair systems to avoid them. The reality is that setting up a co-op involves so much work that this part often gets neglected. In addition, pre-emptive conversations require a level of self-awareness and experience that most people don't have. Often conflict arises when we assume a certain behaviour is 'normal' (washing up our dishes straight away, for example) and it isn't until someone does differently that we realise there are other ways of approaching the issue. Something to think about from the start is how you can create a work culture which makes co-operative decision-making possible: for many people this involves unlearning old habits around hierarchy, competition or individualism and you shouldn't underestimate the amount of work this takes.

Many of the things that help with this are covered elsewhere (see especially Chapter 4), but here are a few key points:

*At times of heated emotion, it can be hard to find co-operative solutions, especially when the issue at stake is closer to people's hearts than the washing up!*

- **Set out your aims clearly so you remember why you're working together in the first place!** This starts with what the co-op does (fix bikes, grow cabbages), but it is also about gaining a shared understanding of why you are in a co-op and what that means in terms of how you work together.
- **Good decision-making also requires openness and trust** – it's hard to take someone's needs into account if they don't tell you what they are. One way of fostering this is regular social time outside of work – from a shared tea break every day to a day trip every few months. Another technique is to hold regular meetings, where people give each other feedback and share feelings about their work and the workplace.
- **Finally, running your meetings well can avoid re-visiting decisions or resentful feelings.** Allow enough time, run them at a convenient time and in a comfortable venue, learn good facilitation skills and encourage everyone's active participation.

## When conflict happens

It is usually best to deal with conflict as soon as it becomes apparent, before feelings of resentment and anger have had time to settle in.

### 1> Preparation

Start by getting clear in your own mind about what you want to say. What do you think is the problem? Is it a difference of opinion or priorities, a behaviour pattern or an individual incident which has upset you? Find a way to express it that separates the behaviour from the person and uses concrete examples where possible. For example, it might not be very helpful to tell someone they are lazy and irresponsible, but you can point out that they haven't done their share of admin for the month.

Identify how you feel about the situation and look for ways of expressing yourself which recognise that those feelings aren't necessarily anyone else's fault. For example, you might be disappointed that someone has different ideas about which suppliers are ethical or hurt that someone doesn't smile and say hello when you arrive at work in the morning. If you can explain those feelings of disappointment or hurt without implying that someone is making you feel like that, you might have a greater chance of them accepting what you say.

*If you can explain those feelings of disappointment or hurt without implying that someone is making you feel like that, you might have a greater chance of them accepting what you say.*

### 2> Having the conversation

Ask the person concerned for a conversation and agree a time and a place which works for both of you. Explain your thoughts and feelings and give them space to respond. They might have their frustrations with you too, so try to create an atmosphere in which you can both accept the other's feelings without blame and defensiveness. For example, if what you see as playful banter regularly offends someone, you can explain you didn't intend any harm, but it might be helpful also to accept how they feel about it, instead of getting angry with them for being unfair.

### 3> Next steps

Airing and exploring your feelings might be enough to build better relations, but it is often useful to work out possible changes in behaviour. This could be done straight away or you could come back to the conversation after a cooling off period. Be as concrete as possible about what promises you are making to each other.

For example, if you say "I want you to respect me more", there are all sorts of possible interpretations of whether that is happening or not. If you say "I want you to ask my opinion before you take on a new piece of work and look at me when you talk to me," it might all feel a little artificial, but at least everyone has a clear idea of what is expected of them.

If someone changes the behaviour as requested, but you feel that the fundamental problem is still there, you can always bring up the issue again. Human relationships of all kinds are always going to be work in progress and any changes you make can be seen as trying things out rather than coming to a definitive answer. You might even want to agree a time to review how things are going, so the onus isn't on one individual to name and bring up the problem all over again.

### **Mediation**

When things do get more serious, you might want to think of options like mediation, either by people in the co-op or by trusted and possibly professional outsiders. Unlike formal procedures, like grievance and disciplinary, mediation does not require any 'higher body' to take sides in an argument. The mediator helps the disputing people sort out their differences and agree resolution.

Mediation is not always suitable e.g. where someone has committed a grave offence like physical violence, theft or racist or sexist bullying, but it can be used to soothe the wounds after formal procedures have taken place.

It is beyond the scope of this book to offer advice on how to go about mediation: seek help from your local mediation service, from Seeds for Change or from the Radical Routes Co-op Support Group. [www.rhizome.coop](http://www.rhizome.coop) also offers lots of information for mediation and is developing specialist resources and training for workers' co-ops.

## **12.9 Misconduct and dismissal**

Unfortunately most co-ops will, over the years, face serious problems with one or more members.

How do you as a co-op deal with serious misconduct, such as theft from the co-op, bullying, sexual harassment or assault? What do you do when you need to ask a member to leave the co-op because they don't do their work, aren't in line with your policies and constitution, bully other members or damage the co-op's reputation?

It can be tempting to avoid challenging members and to hope for miraculous improvements.

*Human relationships of all kinds are always going to be work in progress and any changes you make can be seen as trying things out rather than coming to a definitive answer.*





However, not only do you have a moral obligation to each other to deal effectively with misconduct, but you also have a legal responsibility as an employer and as directors to look after all the employees and the business. So if for example a member sexually harasses another member and the co-op does nothing, then the harassed member could resign and take the co-op to the employment tribunal for constructive dismissal. If, at the employment tribunal, the co-op fails to show that they adequately dealt with the issue, the co-op will have to pay compensation.

Legal issues aside, one of the reasons people like working in co-ops is the opportunity to create a work place where people are treated decently and fairly. As part of our co-operative ethics we should all work towards a culture where everyone can feel safe in their work place and where people can rely on each other to challenge serious problems.

Your natural inclination may be to deal with any issues informally. In most cases an informal approach taken at an early stage will prove more productive and less problematic than taking steps once a problem has become serious. It may also be helpful to use mediation (see above).

However, if after a reasonable time a particular strategy has not remedied the situation or there is a case of more serious misconduct, the co-op should use formal disciplinary procedures. Using agreed procedures not only protects the co-op in legal terms, but it also creates clarity and a fair system for all members. It may also make it easier for any member with a grievance to voice this and to feel they are being taken seriously.

If there are enough of you in the co-op think about appointing one or two co-op members to be responsible for members' welfare. This means that anyone with a grievance can choose between directly bringing issues up in a meeting, which can be emotionally difficult, or talking to the welfare officer first, who can then make arrangements for dealing with the issue.

It is important to get your Grievance and Disciplinary Procedures right and to make sure they follow best practice. Contact ACAS for free up to date information and advice on these issues: [www.acas.org.uk](http://www.acas.org.uk). A sample disciplinary procedure, including an explanation of the common stages of a disciplinary procedure is in Appendix V.



[www.footprinters.co.uk](http://www.footprinters.co.uk)

## Printing & Webhosting

zines - CD & record sleeves - posters  
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newsletters - business cards - flyers

10% discount for co-ops

Riso print specialists  
with laserprint & screenprint

0113 262 4408

[footprint@footprinters.co.uk](mailto:footprint@footprinters.co.uk)  
16 Sholebroke Avenue, Leeds LS7 3HB

Members of Radical Routes, the RR Trading Co-ops Network, the Workers Co-op Solidarity Fund and Co-operatives UK

## Food buying groups Wholesome foods at wholesale prices

Setting up a buying group with friends or co-workers is a great way to get high quality food at reduced prices, delivered to your door by our own Suma drivers.

Our extensive product range is carefully selected to balance your needs with the needs of our planet. We supply food groups with organic dried fruits, dairy-free yoghurt, veggie sausages, cruelty-free bodycare products, Fairtrade handicrafts... and lots more.

Suma is a workers' cooperative managed and owned by a dedicated workforce. We're passionate about offering ethical, Fairtrade and organic products you can trust.



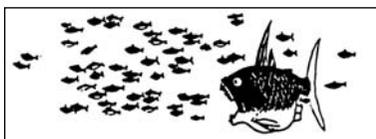
**To find out more visit [www.suma.coop](http://www.suma.coop) or call 01422 313861**

# Appendix I. Radical Routes

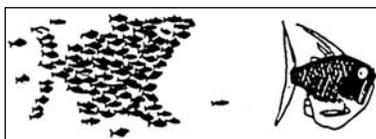


Illustration by Imogen Shaw

Radical Routes is a UK wide 'mutual aid' network of co-ops working for radical social change. The network provides valuable support for housing co-ops, workers' co-ops and other types of co-ops such as social centres. Most people involved in Radical Routes co-ops actively take action on issues such as animal rights, eco-defence, peace, social justice, no borders, building sustainable local communities, changing power structures and much more.



Radical Routes wholeheartedly believes in co-operation and the co-op movement and wants to see it more accessible to more people. In 2010, workers' co-ops and other trading co-ops such as social centres and food co-ops got together to form the Trading Co-ops Network in response to a lack of support for more radical small workers' co-ops.



Although there are a lot of co-op support organisations out there, not many fully understand the issues facing co-ops with strong ethics, a commitment to radical social change and working by consensus.

At Radical Routes gatherings, the Trading Co-ops Network hosts workshops and skillshares (e.g. 'How to set up a workers' co-op', 'Understanding tax credits', 'Working with children'), a quick fire helping-each-other session and a

forum for problem-sharing and solving. There is an on-line directory of members and an email group so that members can ask each other for advice. We're also able to give advice and support to help with setting up your trading co-ops.

Radical Routes also supports co-ops through its loans, more details of which are on its website and in Chapter 7.

## **Aims & principles of Radical Routes**

*Here we are in twenty-first-century Britain, in a world not of our making but one that has been moulded over thousands of years of exploitation and injustice.*

*Our world is shaped by the forces of greed, capitalism and materialism, where maximum production and optimum profits are vigorously pursued, making life a misery for many and putting us and the environment at risk. The system is ultimately controlled by the rich and powerful, the capitalists and bureaucrats, through the use of many mechanisms such as ownership of the economy (making people slaves to a job) and control of the media (creating a passive culture). Radical Routes is a network of co-ops and individuals seeking to change all this.*

*We want to see a world based on equality and co-operation, where people give according to their ability and receive according to their needs, where work is fulfilling and useful and creativity is encouraged, where decision making is open to everyone with no hierarchies, where the environment is valued and respected in its own right rather than exploited.*

*We want to take control over all aspects of our lives. However, as we are not all in a position of control we are forced to compromise in order to exist. We are working towards taking control over our housing, education and work through setting up housing and worker co-ops, and co-operating as a network. Through gaining collective control over these areas we aim to reduce reliance on exploitative structures and build secure bases from which to challenge the system and encourage others to do so.*

## **There are 3 levels of involvement:**

**Full members** must be incorporated, common-ownership, mutual co-ops who are committed to the aims and principles of Radical Routes and who will commit to attending the quarterly gatherings and contributing work for the network (half a day a week or fortnight depending on the size of your co-op). In addition to this, all members of your co-op must be committed to working for social change – being a member of Greenpeace is not enough: each of your members actually has to spend a significant amount of time working towards a better world, including a commitment to a low-impact lifestyle.

**Associates** must be mutual co-ops, organising as if in common ownership, who agree with the aims and principles, but who don't or can't fulfil all the commitments. Although Associates can't block proposals or get loans, they can otherwise be as involved as they like and there are no commitments other than a quarterly service payment.

**Financial Supporters** can be individuals or organisations of any kind who make a minimum financial contribution to Radical Routes.

To find out more about how to join Radical Routes, have a look at **[www.radicalroutes.org.uk](http://www.radicalroutes.org.uk)**, phone 0845 330 4510 or email [enquiries@radicalroutes.org.uk](mailto:enquiries@radicalroutes.org.uk). You are also welcome to come to the quarterly Radical Routes Gatherings.

# Appendix II. Where to get help

## - useful addresses and resources

If you are inspired to set up your own workers' co-op or just want to find out more, there are loads of organisations out there that can provide advice, practical help with things such as choosing a legal structure and writing a business plan, and even providing loans and grants for starting up. Co-operatives UK and Radical Routes are great places to start. In many areas you'll find co-operative development bodies that provide advice, information and support services for people looking to create a new co-operative enterprise or develop an existing one.

To locate a CDB in your area ask Co-operatives UK: [www.uk.coop](http://www.uk.coop). If you want to find out about ways of working together in a non-hierarchical fashion, such as using consensus, and trying out more radical ideas such as wages based on need, Radical Routes and Seeds for Change will be able to advise.

Most workers' co-ops are also happy to help, so if you know one in your area don't be afraid to ask.

### A. Co-op support organisations

#### Radical Routes and the RR Trading Co-ops Network

16 Sholebroke Avenue, Leeds LS7 3HB  
[t] 0845 458 4510  
[e] [enquiries@radicalroutes.org.uk](mailto:enquiries@radicalroutes.org.uk)  
[w] [www.radicalroutes.org.uk](http://www.radicalroutes.org.uk)

A mutual aid federation of radical worker co-ops, food co-ops, social centres and housing co-ops working for social change.

Provides mutual support, long term and short term loans and can provide advice and workshops on all aspects of co-ops. Quarterly gatherings open to members and anyone interested in co-ops.

The Trading Co-ops Network encourages the establishment of new worker co-operatives and other kinds of trading co-ops and supports existing ones. Member co-ops are keen to help and share skills, and there is an email list for asking any kind of workers' co-op related question.

## **Co-operatives UK**

Holyoake House, Hanover Street,  
Manchester M60 0AS.

[t] 0161 246 2900

[e] legal@uk.coop

[w] www.uk.coop

The national umbrella and campaigning organisation for co-ops. Works to promote, develop and unite co-operative enterprises. It has pioneered the growth and establishment of the co-operative sector and lobbies government (local, national and European) for more recognition for co-ops. Provides lots of start-up help for new co-ops including a legal department that offers model rules and a registration service for the different types of co-operative models.

Workers' Co-ops are represented on the Co-ops UK board by two members of the Workers Co-op Council, which is itself elected from and by workers' co-op members of Coops UK.

## **Rhizome**

[t] 0845 458 4776

[w] www.rhizome.coop

[e] rhizome@rhizome.coop

Offers training, mentoring and advice in consensus, mediation, facilitation and more. Useful guides on mediation, consensus and facilitation – free to download from their website.

## **Seeds for Change Network**

[w] www.seedsforchange.org.uk

Lancaster:

[t] 0845 330 7583

or 01524 840028

[e] lancaster@seedsforchange.org.uk

Oxford:

[t] 01865 403134

[e] oxford@seedsforchange.org.uk

A network of non-profit training and support workers' co-ops helping people organise for action and positive social change. Associate members of Radical Routes.

Advice and workshops including: what are workers' co-ops, co-operative values, principles and history, setting up and running a workers' co-op, working out your co-op idea and aims, organisational structure, how to make decisions by consensus and having effective co-op meetings.

Lots of useful guides on consensus, facilitation and activist skills – free download from their website.

## **Co-operative Business Consultants**

[t] 0797 007 5704

[e] jo@cbc.coop

[w] www.cbc.coop

A co-operative consortium of co-op advisors across Scotland, Northern Ireland and the North of England, with specialisms ranging through community co-ops, workers co-ops, credit unions, football clubs, fair trade, co-op movement activism and international co-op contacts.

## **Somerset Co-operative Services**

The Hot House, Wellington Road,  
Taunton TA1 5AX  
[t] 0300 456 2265  
[e] alex@somerset.coop  
[w] www.somerset.coop

Co-operative development body, offers advice and training on starting, managing and developing workers' co-operatives. Also offers financial services from bookkeeping, payroll to year end accounts. SCS can also register new co-operative societies and community benefit societies. They specialise in multi-stakeholder co-ops, where membership is made up of different groups such as workers, producers and service users.

## **Workers Co-operative Solidarity Fund**

[w] <http://s.coop/solidfundjoin>

A fund to underwrite projects which support workers' co-operatives and worker co-operation. Created from subscriptions of individual members, SolidFund does not itself organise anything, but decisions about how it is run and how the money is spent are open to all members though online discussion and decision-making.

## **Acorn Co-op Support**

[w] [www.acorncoopsupport.org](http://www.acorncoopsupport.org)  
[e] [contact@acorncoopsupport.org.uk](mailto:contact@acorncoopsupport.org.uk)

Acorn Co-op Support is a small workers co-op, that exists to support co-ops, businesses, community groups and campaigns which encourage co-operative working and practices. It will work with any group or individual that encourages co-operative working, but has a specific interest in:

- Supporting, encouraging and participating in co-operative land management.
- Supporting and enabling more sustainable small scale businesses that are working towards the end of our reliance on fossil fuels.
- Supporting the growth and development of appropriate renewable technologies, with specific focus on community ownership of those technologies.

## **B. Sector Networks**

### **Land Workers' Alliance**

[w] [www.landworkersalliance.org.uk/](http://www.landworkersalliance.org.uk/)  
[e] [landworkersalliance@riseup.net](mailto:landworkersalliance@riseup.net)

The Landworkers' Alliance is a producer-led organisation of small-scale producers and family farmers who use sustainable methods to produce food, fuel, fibre and flowers.

## **UK Radical Bikes Network**

[e] [communitybikes@lists.riseup.net](mailto:communitybikes@lists.riseup.net)

A network of radical bike co-ops that has an email list (above) and organises occasional meet-ups.

## **Wholefood Action Network**

[w] [wholefoodaction.org.uk](http://wholefoodaction.org.uk)

Whole Food Action is a network of independent wholefood shops set up in 2014 to work together for a better food system. Their website includes a section on supporting new shops (with an emphasis on co-operatively owned and run shops) including links to resources, success stories, and a 'team up' noticeboard to find others to join your project. Shops that become members also get access to a discussion forum and member deals and resources.

## **Social Centres Network**

[w] <https://socialcentresnetwork.wordpress.com/communication/>

The Social Centres Network is a network of independent social centres and autonomous spaces aiming to link up to share experiences, resources, ideas and information.

## **C. Regulators and government bodies**

### **Companies House**

Main Office: Crown Way, Maindy, Cardiff CF14 3UZ

[t] 0870 33 33 636

[e] [enquiries@companies-house.gov.uk](mailto:enquiries@companies-house.gov.uk)

[w] [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

Registers and regulates companies. You may want to refer to their website while reading this booklet to see what the various forms and tables that are referred to look like.

### **The Financial Conduct Authority**

25 The North Colonnade, Canary Wharf, London E14 5HS

[t] 020 7066 1000

[w] [www.fca.org.uk/](http://www.fca.org.uk/)

The FCA hosts the registrar function for Co-operative Societies, equivalent to what Companies House does for companies.

### **The Charity Commission**

PO Box 1227, Liverpool, L69 3UG

[t] 0845 300 0218

[w] [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)

Registers and regulates charities. Following their guidelines for charitable aims can help if you want to get grant funding from trusts.

## **Information Commissioner's Office (ICO)**

Wycliffe House, Water Lane,  
Wilmslow, Cheshire SK9 5AF  
[t] 0303 123 1113 (local rate)  
or 01625 545745  
[w] <https://ico.org.uk/>

The chances are that you will not have to register under the Data Protection Act. If you need to register under the Data Protection Act this is who to register with (costing about £35). Beware letters and emails from official sounding but dodgy companies suggesting you register through them and wanting to charge you plenty.

## **HM Revenue & Customs**

[w] [www.gov.uk/government/organisations/hm-revenue-customs](http://www.gov.uk/government/organisations/hm-revenue-customs)

The tax office has loads of useful info and online calculators on their website. They also run free regular webinars on all aspects of PAYE, Corporation Tax, VAT registration, etc. and will send out a 'New Employer' pack to help you get started. They are extremely helpful and friendly, as long as they think you're trying to do the right thing.

## **D. Funding and banking**

### **Radical Routes**

Provides loans to its members.  
See entry above.

### **Co-operative & Community Finance**

(formerly known as ICOF – Industrial Common Ownership Finance Limited)

Head Office, Brunswick Court,  
Brunswick Square, Bristol BS2 8PE  
[t] 01179 166750  
[e] [info@coopfinance.coop](mailto:info@coopfinance.coop)  
[w] [www.coopfinance.coop](http://www.coopfinance.coop)

Operates the Co-operative Loan Fund – a co-operatively run loan fund to provide loans for employee or community owned social enterprises, including co-operatives. Like Rootstock it seeks investment from the general public.

### **Triodos Bank**

Brunel House, 11 The Promenade,  
Clifton, Bristol BS8 3NN  
[t] 0117 973 9339  
[w] [www.triodos.co.uk](http://www.triodos.co.uk)

Ethical investment bank, for mortgages and loans.

### **Ecology Building Society**

7 Belton Road, Silsden, Keighley,  
West Yorkshire, BD20 0EE

[t] 0845 674 5566

[e] info@ecology.co.uk

[w] www.ecology.co.uk

Green building society providing mortgages and loans to ecologically sound projects only. Supportive of co-ops.

### **Community Development Finance Association**

Unit 5, Angel Gate,  
320-326 City Road, London EC1V 2PT

[t] 020 7430 0222

[e] info@cdfa.org.uk

[w] www.cdfa.org.uk

Community Development Finance Institutions are small organisations (like Rootstock and Co-op & Community Finance) which raise money to invest in social enterprise or in developing local economies in specific places. There may be a CDFI close to you which could lend money on reasonable terms and may be able to link you with other like-minded projects. The CDFA is the trade body and there is a list of its members on its website.

### **Unity Trust Bank**

Nine Brindleyplace, Birmingham,  
B1 2HB

[t] 0845 140 1000

[e] us@unity.co.uk

[w] www.unity.co.uk

A bank set up by trades unions, supported by and supporting unions, co-ops, charities and the voluntary sector. Their current account service offers free internet banking for organisations with an annual turn-over of up to £50,000.

## **E. Accountants**

### **Catalyst Collective Ltd**

Berry Farm, Clarkes Lane, Ilkeshall  
St Andrew, Beccles NR34 8HR

[t] 0845 223 5254

[e] hayley@catalystcollective.org

[w] www.catalystcollective.org

Specialise in accounting services to co-ops. A member workers co-op of Radical Routes.

### **The Accountancy Co-operative**

56 Dorchester Rd, Lytchett Minster,  
Poole, Dorset BH16 6JE

[t] 01202 621622

[e] office@accountancy.coop

[w] www.accountancy.coop

An ex-workers co-op of accountants specialising in co-operatives and other small businesses.

## **Slade & Cooper**

6 Mount Street, Manchester, M2 5NS

[t] 0161 831 0100 [f] 0161 831 0101

[e] office@sladecooper.co.uk

[w] www.sladecooper.co.uk

Auditors and accountants who specialise in co-ops.

## **Co-opportunity**

[t] 0117 941 5345

[e] info@coopportunity.org.uk

[w] <http://coopportunity.org.uk/>

A workers co-op providing accountancy and database services, specialising in co-ops and third sector organisations.

## **F. Insurance**

### **Co-operative Insurance Society**

Miller Street, Manchester M60 0AL

[t] 0800 158 4034

[w] [www.co-operativeinsurance.co.uk](http://www.co-operativeinsurance.co.uk)

Insurance for co-ops. If you are after commercial insurance then the CIS should be your first port of call for advice and a quote. Make sure you tell them that you are a co-op.

### **Naturesave Insurance**

58 Fore Street, Totnes, Devon TQ9 5RU

[t] 01803 864390

[e] [mail@naturesave.co.uk](mailto:mail@naturesave.co.uk)

[w] [www.naturesave.co.uk](http://www.naturesave.co.uk)

Building and contents insurance with 10% of premium donated to benefit environmental organisations.

## **G. Phone and internet services**

### **The Phone Co-op**

The Co-operative Business Telecoms  
5 The Mill House, Elmsfield Business Centre, Worcester Road, Chipping Norton, Oxon OX7 5XL

[t] 01608 434 070

[e] [sales@thephone.coop](mailto:sales@thephone.coop)

[w] [www.thephone.coop/business](http://www.thephone.coop/business)

The Co-operative Business Telecoms is provided by The Phone Co-op, a consumer co-op - the UK's only telecoms business 100% owned by its customers. Services include phone calls, line rental, broadband, phone systems, teleconferencing and mobile to suit any size of organisation.

A Development Fund provides loans to support co-operatives and social enterprises and a Social Enterprise Start-Up & Expansion Fund provides resources in the form of a credit to help development

## H. Resources

### Resources from Co-operatives UK [www.uk.coop](http://www.uk.coop)

General Guides:

What is a co-operative?

Starting a Co-operative: a guide to setting up a democratically controlled business

Worker Co-operative Code of Governance

### The Simply Series:

Excellent in-depth guides to various aspects of your co-op, including:

Simply Start-up; Simply Legal; Simply Finance; Simply Governance and From Conflict to Co-operation

### Other:

Select-a-Structure – online tool to help you choose your legal structure:  
[www.uk.coop/developing-co-ops/select-structure-tool](http://www.uk.coop/developing-co-ops/select-structure-tool)

### Seeds for Change

[www.seedsforchange.org.uk](http://www.seedsforchange.org.uk) – guides on running meetings, facilitation and consensus decision making.

### Radical Routes

[www.radicalroutes.org.uk](http://www.radicalroutes.org.uk) also publish handbooks on 'How to set up a Social Centre' and 'How to set up a Housing Co-op'.

Unicorn's **Grow a Grocery guide** is written to help you set up a workers' co-op whole food shop: [www.unicorn-grocery.co.uk/grow-a-grocery.php](http://www.unicorn-grocery.co.uk/grow-a-grocery.php)

The **UK government** maintains an online guide to setting up and running a business. It's a good place to check for up to date details on all the red tape such as tax and employment law: [www.gov.uk/browse/business/setting-up](http://www.gov.uk/browse/business/setting-up) You may also find some use in the various agencies set up to support business:

England:

[www.gov.uk/government/policies/supporting-economic-growth-through-local-enterprise-partnerships-and-enterprise-zones/supporting-pages/local-enterprise-partnerships](http://www.gov.uk/government/policies/supporting-economic-growth-through-local-enterprise-partnerships-and-enterprise-zones/supporting-pages/local-enterprise-partnerships)

Wales:

<http://gov.wales/topics/businessandconomy/business-wales/support-starting-business/> (and the Wales Co-operative Centre: [www.walescooperative.org](http://www.walescooperative.org))

Scotland: [www.business.scotland.gov.uk](http://www.business.scotland.gov.uk)

Northern Ireland: Visit [www.nibusinessinfo.co.uk](http://www.nibusinessinfo.co.uk)

The **National Council for Voluntary Organisations** has a large collection of policies donated by voluntary and social organisations.  
[www.ncvo-vol.org.uk/advice-support/workforce-development](http://www.ncvo-vol.org.uk/advice-support/workforce-development)

**High Street Banks** and local business advice teams often have free spreadsheets to help you do your financial planning. Although these are geared towards the needs of conventional businesses they can still be a great help to co-ops trying to work out their finances.

# Appendix III. Model Articles of Association for a Workers' Co-operative Company Limited by Guarantee

## A. About these articles

The articles below are for a Workers' Co-operative registering as a Company Limited by Guarantee. They are for a workers' co-operative which is:

- **Fully mutual** – only those employed by the co-op may be members, so the co-op is owned exclusively by the workers.
- **Using consensus decision-making or voting** – choices are available to choose consensus decision-making or voting. If voting is chosen it is on the basis of one member one vote.
- **In common ownership** – if the co-op is dissolved any assets left over may not be distributed to the members, but must be passed on to a similar organisation. This makes the articles suitable for a non-profit co-ops as well as surplus-distributing co-ops..
- **Collectively managed** – all members are normally directors, but this can be easily changed to an elected board of directors by deleting article 17(2).
- **Employee owned** – all members are employees, rather than a co-op of self-employed members. Should you wish to change these articles for use by a consortium of self-employed members, see the note at the end of this section.

These articles are also:

- **Suitable for full membership of Radical Routes** (only if you choose the common ownership option). Only mutual co-operatives in common ownership are eligible for full membership of Radical Routes.
- **Suitable for adaptation for use by Co-operative Consortia.**
- **On the 'Approved Model List' of Co-operatives UK.** This means that your co-op is automatically eligible for membership of Co-ops UK and that they would be happy to register your co-op for you (for £300).

## How to use these articles

At the very least you should deal with everything in this section. We strongly recommend that at least one member of your co-op also reads through the explanations of each article so that someone in your co-op understands your articles!

**Download these articles  
in .DOC or .ODT  
format from  
[seedsforchange.org.uk](http://seedsforchange.org.uk)**

## **Objects**

Insert your objects (i.e. aims, purpose) in 2(1)(a). Although it's not legally necessary for you to have objects we think it's a good idea to have them since they will provide a framework for your activities and provide a guide for future members. Additionally, many funders will expect you to have objects. See the notes below for more information.

## **Consensus or Voting?**

In articles 1,7, 10 and 32 you have choices between using consensus decision-making and voting. If your co-op is to use consensus use option A in each case. If you intend to vote use option B.

If you use consensus then make sure to define your process in your secondary rules. If you will use voting then decide on what majorities are required and change these in 10(1) and 32(3).

## **Collective Management or Board of Directors?**

Article 17(2) provides for all members of the co-op to be directors. If you'd prefer to elect a board of directors (i.e. not all members are on the management committee) then simply delete part 2 of Article 17. Although other articles refer to directors and the board of directors, they are written so that they work regardless of whether you have collective management or elected directors.

## **"Secondary Rules" (bylaws)**

In addition to these articles it is essential that you draw up "secondary rules" or bylaws which deal with some of the details that these articles leave out (secondary rules can be easily changed by the co-op whereas any change in the articles requires a signed resolution to be posted to Companies House). Wherever the articles say 'as a general meeting shall decide from time to time', this means 'put it in your secondary rules'.

The secondary rules must include at least the following:

- Details of your understanding and procedures of consensus (if you are using that way of making decisions)(10(3) and 32(3)). (You can get information on this from [www.seedsforchange.org.uk](http://www.seedsforchange.org.uk));
- Quorum for directors' (13(2)) and general meetings (28(2));
- The minimum number of hours an employee must work per month in order to be eligible for membership (22(b)).
- Any other general rules that the co-op might make for itself.

We've included sample Secondary Rules which cover the above points. You may wish to consider including details of the following as well:

- Principles of your co-op – statements of the purpose of your co-op and thoughts on how you wish to run it.
- Structure of your co-op – what committees, working groups or other sub-groupings your co-op usually has.
- Whether you have a limit on how much surplus can be distributed each year, eg as a bonus or co-op dividend. You may wish to specify amounts or proportions set aside for reserves, for putting back into the co-op movement, etc.
- Criteria for working for the co-op – minimum standards that employees should have, or aspire to in order to be a worker (and therefore be eligible for membership of the co-op).
- General guidelines on the probation period for new members.
- General working conditions, standard holiday allowance, working hours, allocation of work, e.g. whether all or most tasks will be rotated or kept within specific sub-groups etc.

### *Surplus versus profit*

Throughout these Articles we use the word 'surplus' instead of the word 'profit'. This is a philosophical difference – co-operatives consider the extra income after expenditure to be the common asset of the co-op (or even of the whole co-op movement) and that everyone can decide how this 'surplus' is used.

Companies, on the other hand, are specifically set up in order to generate a profit for their owners, whether those are the directors or the shareholders. The Companies Act does refer to 'profit', so we explain this in the 'Defined Terms' section.

### ***Co-operative Consortia***

These articles can be easily adapted for use by Co-operative Consortia. The only change is to the membership requirements. In these articles membership is restricted to employees, whereas in a consortium the membership should rather be restricted to those who use the services provided by the co-op.

To achieve this simply replace Article 22 with the following:

**22. (1)** The co-operative may admit to Membership any individual, unincorporated body, firm, partnership or corporate body that wishes to use the services of the Co-operative, who has completed the required probationary period as decided from time to time by a decision of the co-operative in general meeting.

### **Registering your co-operative using these articles**

If you register your co-op using these articles with Companies House then you should make sure that you tick box A8 on the registration form to indicate that some articles are entrenched.

If you wish to use the word co-op or co-operative in your name then you should tick box A2 – Company names' restrictions.

## B. Explanations of the articles

**Not every article is explained in this section - we've just dealt with the ones that are a little more complex or not so easy to understand.**

- 1** These articles use a loose description of consensus in the definitions, and a clearer definition of your co-op's understanding and procedures should be included in the secondary rules. Although unanimity is not the same as consensus we use it in these articles because the interpretation of 'unanimous' in case law is looser than 100% unqualified agreement allowing abstentions ('stand asides') and qualified support ('reservations').
- 2(1)(a)** The objects help to define what your co-op will do. In (a) you should list your specific objects, e.g. "To recycle and make available affordable bikes for the benefit of the local community". You can have as many objects as you want, and it's a good idea to put all the things you are planning to do in here so that you don't have to update your articles later on. Don't be too specific about your intentions, but do be clear because in future you may look back at this bit to see what the original intentions of the co-op were. **(b)** to **(d)** are standard co-op clauses to ensure that your co-op follows the co-operative principles and values (which are in Annexe A). **(e)** and **(f)** allow the co-op to do things not explicitly mentioned in your objects so long as they support them.
- 2(2)** This part ensures that the co-op's money is only spent on the objects or to run the business.
- 2(3)** "Entrenching" the article is a way of ensuring that it doesn't get changed without (in this case) all members agreeing. This is a way of protecting important parts of your constitution from future change. It doesn't make it impossible to make changes, but makes sure that the changes only happen with the consent of all members at that time.
- 3(1)** This article is a standard co-operative clause, and limits surplus to being used for the good of the co-op, its members or similar organisations. You can use the secondary rules to set limits on payments to members.
- 4** This puts the co-op in 'common ownership' - if it is wound up, anything left over is redistributed among other co-ops or good causes. This can be changed so that in the case of the co-op being wound up anything left over is distributed among members and recent members. Co-ops describing themselves as 'non-profit' or 'not for profit', should keep this clause, or it will potentially be more difficult to get grants.
- 5** This makes your co-op a limited company, which means that if it is wound up members would normally only have to contribute £1 for any outstanding debts.
- 6** This gives the directors the power to run the company. See below for options on whether all or only some members are directors.

- 7** Even though the directors are responsible for running the co-op, members can tell the directors to do, or not do something. Choose whether your co-op will use consensus or a vote to make the decision of whether to tell the directors to do (or not do) something. Obviously this is only useful if not all members of your co-op are also directors, but is worth keeping in just in case at some point not all members are directors (e.g. by a change in the articles or because a member can't be a director because they are too young or bankrupt).
- 9** Although the directors are the only ones with the power to run the company, they may pass on these powers to others (whether individuals or committees) to take on tasks.
- 10** Choose one of the options to specify whether directors use consensus or vote in their meetings.
- 10(2)** This allows directors to make decisions, even if they are not meeting in the same place at the same time so long as the decision is written down and signed by the directors.
- 10(1)** Option B – voting: In a meeting a simple majority is enough to make a decision. If you prefer, you may choose a majority of, for example 75%. If directors are not all in one place at a meeting then decisions may still be made (e.g. by email) but must be unanimous according to 10(3).
- 11** This explains how directors' meetings are called. If a director doesn't feel the need to be told about meetings, they can just say this is the case (up to a week after the meeting took place) without it affecting whether the meeting is valid.
- 13(2)** Your co-op should state in their secondary rules how many directors are needed to have an official meeting that is allowed to make decisions (a quorum).
- 15** This is a standard clause for companies to provide guidance on what to do when a director has a conflict of interest. Normally the director in question should not take part in the decision in which the conflict of interest arises, but if the directors decide that it's OK, or the conflict of interest is 'permitted', as defined in (4), then the director who has the conflict of interest is allowed to take part in the relevant decision.
- (4)** Lists the exceptions: guarantees from or to a director, subscribing for securities or providing benefits to directors or members past or present.
- 16** The co-op (through a decision at a general meeting) or the directors may make any rules for the co-op.
- 17(2)** This article requires all members to be directors – so all members share the duties and responsibilities of the co-op. Because not everyone can be a director, for example if disqualified from holding a directorship (e.g. after bankruptcy), this article leaves the final decision to a general meeting to decide that person can continue to be a member of the co-operative even if they can't be a director. If your co-op is to be managed by a board of directors then delete 17(2).
- 18** This outlines how somebody stops being a director – most usually because they are no longer a member of the co-op or because the general meeting has decided to end their directorship.

**19** This just says that directors can be paid for work they do for the co-op. (As directors they are also 'office holders' and not just employees, so they won't necessarily have a normal employment contract for their work as directors – this article means they can still be paid for the official duties they do).

**20** Directors can claim reasonable expenses for meetings – this doesn't mean that this has to happen, nor that normal members can't also be paid.

**21(3)** This allows all members to inspect all accounts, thus contributing to transparency and accountability within the co-op.

It is important to consider how to protect individuals' personal data (e.g. benefits payments) that might be in the accounts.

The person responsible for the accounts should check whether any confidential data is included in the accounts and act accordingly.

**22** Because this is a Workers' Co-op only people working for the co-op can be members of the co-op and this article says that only employees can be members. If you want to use these articles for a co-op of self-employed members (a co-operative consortium), change this article as outlined in the note in Section A.

If you work for the co-op you don't have to be a member since this would be against the co-operative principle of voluntary membership.

On the other hand if you don't work for the co-op you can't be a member.

The exceptions are during probation period and for those working less than a certain number of hours per month (the exact number of hours should be decided and put into your secondary rules). Workers falling into either (or both) of these categories may not be members.

The criteria of a minimum number of hours work per month is a traditional way of defining which workers are eligible for membership of a workers' co-op. You could set the minimum number of hour worked per month as low as 1, although 16, 24 or 32 hours per week are common.

**23** Members are expected to actively participate in the running of the co-op.

**24** Membership can be ended by a decision at a general meeting. Although minimum standards for ending membership are stated here you should consider that ending membership means ending employment too – so any termination of membership should be done fairly so that there is no unfair dismissal.

**(c)** says that the procedure is "subject to any disciplinary procedure" which means that if you have a disciplinary procedure (and you should!) then that takes precedence over what is written here.

**25** There's no longer a requirement for small companies to hold Annual General Meetings, so we've put this article in so that if not everyone is a director you should have at least four general meetings a year.

This is to make sure that the co-op remains democratic (you can change this to have more or less general meetings).

If all members are directors then you don't need to hold four general meetings (presumably you'll be meeting more often than that anyway).

This article gives a lot of powers of oversight to members if they decide at the general meeting to review the directors' activities and require them to report on both the business and ethical indicators.

**26(2)** General meetings may be called by the directors, or 10% of membership may call a meeting. The proportion of members required to call a meeting can't be changed as it is part of the Companies Act 2006.

**27** Only co-op members may take part in decisions. They can do this even if they are not all in the same place (e.g. participating by phone).

**28** This defines the number of members required to allow a meeting to go ahead (and make decisions). You can decide a higher number and put it in your secondary rules.

**31** If after half an hour there still aren't enough members present the meeting must be adjourned. Other ways of adjourning a meeting are also listed here.

**32(3)** Option B - voting: change this number if you wish to have a higher or lower requirement. This must be at least 50%.

**33** This article means that voting can be demanded by members, which obviously is in conflict with any desire to use consensus. The right to demand a poll (i.e. a counted vote) is in the 2006 Companies Act s.321 so you can't decide not to have it, but you can at least require a 100% vote.

If you chose the consensus option above then a 100% vote is required in any poll. (You can change this in 32(4)).

If you've chosen the voting options then the size of the majority needed at a poll is the same needed for other decisions, as set out in (32(3)).

**34** The Companies Act 2006 requires companies to accept proxies. This and the next article explains how this works.

**35(1)** This means that even if you have appointed a proxy you are still allowed to attend a meeting and participate in decision-making.

**35(4)** This means that if you haven't signed the proxy notice (e.g. because you did it by email) then you must provide a note to confirm that your proxy is acting on your behalf.

**36** This says that the co-op can receive or send messages (e.g. notice of general meeting) and documents using electronic means - if this article isn't in here then each individual member would have to explicitly agree to receive messages and documents by email etc. Nevertheless it is still a good idea to get agreement from each member.

**These articles are provided without any representations or warranties, express or implied. Please check they are suitable for your needs and amend and adapt them as required.**

# Articles of Association of \_\_\_\_\_ Ltd being a co-operative company limited by guarantee

## General

- 1 Defined terms
- 2 Purpose of the co-operative and application of income and property of the co-operative
- 3 Surplus of the co-operative
- 4 Dissolution
- 5 Liability of members

## Directors

- 6 Directors' general authority
- 7 Members' reserve power
- 8 Directors may delegate
- 9 Committees
- 10 Directors' decisions
- 11 Calling a directors' meeting
- 12 Participation in directors' meetings
- 13 Quorum for directors' meetings
- 14 Facilitation of directors' meetings
- 15 Conflicts of interest
- 16 Directors' discretion to make further rules
- 17 Methods of appointing directors
- 18 Termination of director's appointment
- 19 Directors' remuneration
- 20 Directors' expenses

NB: "surplus" means that part of the income remaining after expenditure, also known as profit

## Membership

- 21 Accounts
  - 22 Membership
  - 25 General meetings
  - 26 Calling a general meeting
  - 27 Attendance and speaking at general meetings
  - 28 Quorum for general meetings
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  - 31 Adjournment
  - 32 Decisions at general meetings
  - 33 Poll votes
  - 34 Content of proxy notices
  - 35 Delivery of proxy notices
  - 36 Means of communication to be used
- Annexe A Statement on the Co-operative Identity

**Download these articles  
in .DOC or .ODT  
format from  
[seedsforchange.org.uk](http://seedsforchange.org.uk)**

## Defined terms

1. In the articles, unless the context requires otherwise

**"The act"** means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

**"articles"** means the company's articles of association;

**"bankruptcy"** includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

**"the board of directors"** or **"board"** means all those persons appointed or delegated to perform the duties of directors of the co-operative;

**"Companies Acts"** means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

**"consensus"** means a decision made to which all parties explicitly agree to being implemented.

**"the co-operative"** means the above named company;

**"The Co-operative Principles"** means the principles as defined from time to time by the International Co-operative Alliance and contained in their Statement of Co-operative Identity. These are reproduced in Annexe A;

**"The Co-operative Values"** means the values as defined from time to time by the International Co-operative Alliance and contained in their Statement of Co-operative Identity. These are reproduced in Annexe A;

**"director"** means a director of the co-operative;

**"facilitator"** has the meaning given in article 14 and article 30 respectively;

**"member"** has the meaning given in section 112 of the Companies Act 2006;

**"ordinary resolution"** has the meaning given in section 281 of the Companies Act 2006.

**"participate"**, in relation to a directors' meeting, has the meaning given in article 12;

**"proxy notice"** has the meaning given in article 35;

**"special resolution"**

**Choose either A or B:**

• **Option A – Consensus**

*"special resolution"* is a resolution passed at a meeting or as a written resolution and the notice of the meeting included the text of the resolution and specified the intention to propose the resolution as a special resolution, and requires the decision to be made by consensus.

• **Option B – Voting**

*"special resolution"* is a resolution passed at a meeting or as a written resolution and the notice of the meeting included the text of the resolution and specified the intention to propose the resolution as a special resolution, and requires a 75% majority of those members present and eligible to vote. In any vote on a special resolution each member shall have one vote.

**"surplus"** is the part of income remaining after expenditure, also known as profit

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the co-operative.

## **Purpose of the co-operative and application of income and property of the co-operative**

**2. (1)** The objects for which the co-operative is established are:

**(a) insert your objects here**

**(b)** To abide by and implement the co-operative values and the co-operative principles; support and encourage the growth of the co-operative movement; promote the co-operative principles, enterprises and activities. To encourage equality and democratic control over the workplace.

**(c)** To advance the education of its members in co-operative principles and practice, and to promote the physical, emotional and mental well-being of employees of the co-operative and its subsidiaries by providing employment which is satisfying, safe and useful.

**(d)** To have regard to promoting the physical emotional and mental well-being of the community generally, including those persons who, as customers or suppliers of the co-operative, as residents residing in the area where the co-operative is trading, or as employees in other enterprises engaged in similar trading, may be affected by the co-operative's activities.

**(e)** To carry on any trade or business whatever which can in the opinion of the directors of the co-operative be advantageously carried on in connection with or ancillary to any of the objects and activities of the co-operative.

**(f)** To do all such other activities, enterprises, projects or ventures which can, in the opinion of the directors of the co-operative, be deemed incidental or conducive (either directly or indirectly) to the attainment of the objects of the co-operative or any of them.

**(2)** The income and property of the co-operative however derived shall be applied solely towards the promotion of the objects of the co-operative as set out herein and no portion shall be paid or transferred directly or indirectly to the members of the co-operative except by way of payment in good faith to any member of the co-operative in return for services actually rendered to the co-operative

(a) of reasonable remuneration

(b) of repayments of expenses

(c) of interest on money lent

(d) of reasonable rent on premises demised or let to the co-operative.

Interest paid by the co-operative on money borrowed from members shall not exceed such rate as is necessary to attract and retain the capital required to further the co-operative's objects.

**(3)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

### **Surplus of the co-operative**

**3. (1)** The surplus of the co-op shall be applied as follows, in such proportion and in such manner as the General Meeting shall decide from time to time:

**(a)** To a general reserve for the continuation and development of the co-operative;

**(b)** To a bonus to all employees according to a formula agreed by the members from time to time to be applied equally to all members.

**(c)** To promote and assist the formation of new workers' co-operatives or common ownership enterprises by donation to such co-operatives or common ownership enterprises, or to common funds to be used exclusively for their benefit;

**(d)** To make payments for social, co-operative, community or charitable objects.

**(2)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

### **Dissolution**

**4. (1)** In the event of wind up or dissolution of the co-operative the liquidator shall, according to the law, use the assets of the co-operative to satisfy its debts and liabilities. Any balance of assets remaining must not be distributed among the members of the co-operative but shall be transferred by the liquidator to one or several of the following:

**(a)** A co-operative or common ownership enterprise having aims similar or compatible to those of the co-operative, and which shall prohibit the distribution of its income among its membership to an extent at least as great as is imposed on the co-operative under Article 2;

**(b)** A fund maintained for the benefit or promotion of common ownership enterprises;

**(c)** A charity or charities having aims similar or compatible to those of the co-operative in such a manner as the members decide at or before the time of winding up or dissolution.

**(2)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

### **Liability of members**

**5.** The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the co-operative in the event of its being wound up while she or he is a member or within one year after she or he ceases to be a member, for:

**(a)** payment of the co-operative's debts and liabilities contracted before she or he ceases to be a member,

- (b) payment of the costs, charges and expenses of winding up, and
- (c) adjustment of the rights of the contributories among themselves.

### **Directors' general authority**

**6.** Subject to the articles, the directors are responsible for the management of the co-operative's business, for which purpose they may exercise all the powers of the co-operative.

### **Members' reserve power**

#### ***Choose either A or B:***

#### • Option **A – Consensus**

- 7. (1)** The members may, by consensus decision at a general meeting direct the directors to take, or refrain from taking, specified action.
- (2)** No such consensus decision invalidates anything which the directors have done before the passing of the resolution.
- (3)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

#### • Option **B – Voting**

- 7. (1)** The members may, by special resolution at a general meeting direct the directors to take, or refrain from taking, specified action.
- (2)** No such special resolution invalidates anything which the directors have done before the passing of the resolution.
- (3)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

### **Directors may delegate**

- 8. (1)** Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles
- (a) to such person or committee;
  - (b) by such means (including by power of attorney);
  - (c) to such an extent;
  - (d) in relation to such matters or territories; and
  - (e) on such terms and conditions; as they think fit.
- (2)** If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.
- (3)** The directors may revoke any delegation in whole or part, or alter its terms and conditions.

## Committees

**9. (1)** Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

**(2)** The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

## Directors' decisions

### *Choose either A or B:*

#### • Option **A – Consensus**

##### **Directors to take decisions by consensus**

**10. (1)** Any decision of the directors must be taken by consensus.

**(2)** Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.

**(3)** Exact procedures for reaching consensus shall be decided from time to time by the directors or by a decision of the co-operative in general meeting.

**(4)** When deciding procedures for reaching consensus the directors may include an option of taking a vote in case of directors' inability to reach any decision by consensus.

**(5)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

#### • Option **B – Voting**

##### **Directors to take decisions collectively**

**10. (1)** The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting with each director having one vote each or a decision taken unanimously according to section (3) in this article.

**(2)** Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.

**(3)** A decision of the directors is taken unanimously when all eligible directors indicate to each other by any means that they share a common view on a matter.

## Calling a directors' meeting

**11. (1)** Any director may call a directors' meeting by giving notice of the meeting to the directors.

**(2)** Notice of any directors' meeting must indicate:

**(a)** its proposed date and time;

**(b)** where it is to take place; and

**(c)** if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

**(3)** Notice of a directors' meeting must be given to each director, but need not be in writing.

**(4)** Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the co-operative not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

### **Participation in directors' meetings**

**12. (1)** Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when

**(a)** the meeting has been called and takes place in accordance with the articles, and

**(b)** they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

**(2)** In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.

**(3)** If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

### **Quorum for directors' meetings**

**13. (1)** At a directors' meeting, unless a quorum is participating, no proposal is to be decided on, except a proposal to call another meeting.

**(2)** The quorum for directors' meetings may be fixed from time to time by a decision of the co-operative in general meeting, but it must never be less than 50% of the directors or two, whichever is greater.

**(3)** If the total number of directors for the time being is less than the two, the directors must not take any decision other than a decision to call a general meeting so as to enable the members to appoint further directors.

### **Facilitation of directors' meetings**

**14. (1)** The directors may appoint a member to facilitate their meetings.

**(2)** The person so appointed for the time being is known as the facilitator.

**(3)** The directors may terminate the facilitator's appointment at any time.

**(4)** If the facilitator is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors may appoint one of themselves to facilitate it.

## **Conflicts of interest**

**15. (1)** If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the co-operative in which a director is interested, that director is not to be counted as participating in that part of the meeting for quorum or decision-making purposes.

**(2)** But if paragraph (3) applies, a director who is interested in an actual or proposed transaction or arrangement with the co-operative is to be counted as participating in the decision-making process for quorum and decision-making purposes.

**(3)** This paragraph applies when

**(a)** the board decides to disapply the provision of the articles which would otherwise prevent a director from being counted as participating in the decision-making process;

**(b)** the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or

**(c)** the director's conflict of interest arises from a permitted cause.

**(4)** For the purposes of this article, the following are permitted causes

**(a)** a guarantee given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the co-operative or any of its subsidiaries;

**(b)** subscription, or an agreement to subscribe, for securities of the co-operative or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such securities; and

**(c)** arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the co-operative or any of its subsidiaries which do not provide special benefits for directors or former directors.

**(5)** For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.

**(6)** If a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for decision-making or quorum purposes, the question may, before the conclusion of the meeting, be decided upon by the board.

## **Directors' discretion to make further rules**

**16.** Subject to the articles, the co-operative in general meeting or the board of directors may make any rule which they think fit about the running of the co-operative.

## Methods of appointing directors

**17. (1)** Only Members of the co-operative who are permitted by law to do so may be appointed to be a director. Directors shall be appointed by decision of a general meeting of members of the co-operative.

**Optional:** This clause makes the co-op collectively managed, delete this if your co-op is to elect a board of directors (and then renumber (3) to (2)).

**(2)** Subject to any decision of the co-operative in general meeting, all members of the co-operative shall also be directors. Upon becoming a member of the co-operative a person shall be appointed to the board of directors and if a person ceases to hold office as a director they will also cease to be a member of the co-operative.

**(3)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

## Termination of director's appointment

**18.** A person ceases to be a director as soon as

**(a)** that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;

**(b)** a composition is made with that person's creditors generally in satisfaction of that person's debts;

**(c)** a registered medical practitioner who is treating that person gives a written opinion to the co-operative stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;

**(d)** by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;

**(e)** notification is received by the co-operative from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;

**(f)** that person ceases to be a member of the co-operative;

**(g)** that person is removed from office by an ordinary resolution of the co-operative in general meeting in accordance with these articles and the Companies Acts.

## **Directors' remuneration**

- 19. (1)** Directors may undertake any services for the co-operative that the board decides.
- (2)** Directors are entitled to such remuneration as the directors determine
- (a)** for their services to the co-operative as directors, and
  - (b)** for any other service which they undertake for the co-operative.
- (3)** Subject to the articles, a director's remuneration may
- (a)** take any form, and
  - (b)** include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.

## **Directors' expenses**

- 20.** The co-operative may pay any reasonable expenses which the directors properly incur in connection with their attendance at
- (a)** meetings of directors or committees of directors,
  - (b)** general meetings, or
  - (c)** separate meetings of the holders of debentures of the co-operative, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the co-operative.

## **Accounts**

- 21. (1)** The Directors must prepare for each financial year accounts as required by the Act. The accounts must be prepared to show a true and fair view
- (2)** The Directors must keep accounting records as required by the Act.
- (3)** Accounts shall always be open to the inspection of all members and other persons authorised by the co-operative in a general meeting.

## **Membership**

- 22. (1)** Only employees of the co-operative may be members, but any or all employees may be members of the co-operative, and employees shall be encouraged to become members. However:
- (a)** newly appointed employees may be excluded from membership during such reasonable probationary period as agreed by the co-operative in general meeting; The period of probation may be extended at the discretion of the co-operative in general meeting.

**(b)** and employees working fewer than a prescribed number of hours per month may be excluded from membership provided that any prescribed number of hours worked are applied equally to all employees.

**(2)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

**23. (1)** Members agree to take an active interest in the running of the co-operative, including but not limited to attendance at general meetings.

**(2)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

**24. (1)** A person ceases to be a member as soon as:

**(a)** the member ceases to be in employment of the co-operative; or

**(b)** notification is received by the co-operative from the member that the member is resigning; or

**(c)** subject to any disciplinary procedure adopted by the co-operative that person's membership is terminated by a resolution of the co-operative in general meeting provided that the concerned member shall be given not less than twenty-eight days notice of the date, time and place of the meeting and the alleged conduct notifying the member of his/her or its rights to attend the meeting and to make representations to it; or

**(d)** that person dies.

**(2)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

### **General Meetings**

**25. (1)** In the case that not all members are directors of the co-operative, there shall be held at least four general meetings annually.

**(2)** Members in general meeting may require directors to prepare and present to the members such regular financial reports, results and cash flow predictions showing the current financial position of the co-operative.

**(3)** Members in general meeting may require directors to prepare and present to the members such accounts of the co-operatives activities as to measure the social, co-operative, environmental and ethical impact of the co-operative's activities.

**(4)** All members in general meeting shall have the opportunity to review the management of the business and the general meeting shall ensure that the co-operative is functioning in accordance with the co-operative values and principles.

## **Calling a general meeting**

**26. (1)** The board of directors may call a general meeting

**(2)** The members may require the directors to call a general meeting of the co-operative. The directors are required to call a general meeting once the co-operative has received requests to do so from at least 10% of members.

**(3)** A request for a general meeting from at least 10% of members may specify

- (a)** its date and time; and
- (b)** where it is to take place.

## **Attendance and speaking at general meetings**

**27. (1)** A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

**(2)** A person is able to exercise the right to participate in decision-making at a general meeting when

**(a)** that person is able to participate in decision-making during the meeting on resolutions raised at the meeting, and

**(b)** that person's participation in the decision-making process can be taken into account in determining whether or not such resolutions are passed at the same time as the decision is being made by all the other persons attending the meeting.

**(3)** The co-operative in general meeting may make whatever arrangements it considers appropriate to enable those attending a general meeting to exercise their rights to speak or participate in the decision-making at it.

**(4)** In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

**(5)** Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and participate in decision-making at that meeting, they are (or would be) able to exercise them.

## **Quorum for general meetings**

**28. (1)** No business is to be transacted at a general meeting if the persons attending it, or represented by proxy, do not constitute a quorum.

**(2)** The quorum for general meetings may be fixed from time to time by a decision of the co-operative in general meeting, but it must never be less than 50% of the members or three members, whichever is greater. If at the time of a general meeting the co-operative has less than three members then the quorum shall be all members.

## **Facilitating general meetings**

**29. (1)** The meeting must appoint a member to facilitate the meeting, and the appointment of the facilitator of the meeting must be the first business of the meeting.

**(2)** The person facilitating a meeting in accordance with this article is referred to as "the facilitator of the meeting".

## **Attendance and speaking by directors and non-members**

**30. (1)** The co-operative in general meeting may permit other persons who are not members of the co-operative to attend and speak at a general meeting.

## **Adjournment**

**31. (1)** If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the facilitator of the meeting must adjourn it.

**(2)** The facilitator of the meeting may adjourn a general meeting at which a quorum is present if

**(a)** the meeting consents to an adjournment, or

**(b)** it appears to the facilitator of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

**(3)** The facilitator of the meeting must adjourn a general meeting if directed to do so by the meeting.

**(4)** When adjourning a general meeting, the facilitator of the meeting must

**(a)** either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the members, and

**(b)** have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

**(5)** If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the co-operative must give at least 7 clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given)

**(a)** to the same persons to whom notice of the co-operative's general meetings is required to be given, and

**(b)** containing the same information which such notice is required to contain.

**(6)** No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

## Decisions at general meetings

### Choose either A or B:

#### • Option A – Consensus

##### Members decide by consensus

- 32. (1)** Any decision of the members, including ordinary and special resolutions, must be taken by consensus.
- (2)** Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible member or to which each eligible member has otherwise indicated agreement in writing.
- (3)** Exact procedures for reaching consensus shall be decided from time to time by the directors or by a decision of the co-operative in general meeting.
- (4)** In the case of a poll being taken a resolution decided by poll requires a unanimous vote.
- (5)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

#### • Option B – Voting Voting at general meetings

- 32. (1)** A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with these articles.
- (2)** Every member shall have one vote.
- (3)** Any resolution passed at a meeting is passed by a majority of not less than 75%.

## Poll votes

- 33. (1)** A poll on a resolution may be demanded at a general meeting, either before or immediately after a decision has been confirmed by the facilitator.
- (2)** As required by the Acts, a poll may be demanded by
- (a)** five or more members; or
  - (b)** ten percent of the membership.
- (3)** A demand for a poll may be withdrawn if the poll has not yet been taken.
- (4)** Polls must be taken at such a time in that same meeting and in such manner as the facilitator of the meeting directs.
- (5)** In the case of a poll being taken each member shall have one vote.

## Content of proxy notices

- 34. (1)** A member who is absent from a general meeting may appoint any member to act as their proxy. No member however may act as proxy for more than three members at any one time in any general meeting.
- (2)** Proxies may only validly be appointed by a notice in writing (a "proxy notice") which
- (a)** states the name and address of the member appointing the proxy;
  - (b)** identifies the person appointed to be that member's proxy and the general meeting in relation to which that person is appointed;
  - (c)** is signed by or on behalf of the member appointing the proxy, or is authenticated in such manner as the directors may determine; and

- (d) is delivered to the co-operative in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.
- (3) The co-operative may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- (4) Proxy notices may specify how the proxy appointed under them is to represent their views or in the case of a poll to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- (5) Unless a proxy notice indicates otherwise, it must be treated as
- (a) allowing the person appointed under it as a proxy discretion as to how to vote in any poll on any ancillary or procedural resolutions put to the meeting, and
  - (b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

### **Delivery of proxy notices**

- 35. (1)** A member who is entitled to participate in any decision at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the co-operative by or on behalf of that person.
- (2) An appointment under a proxy notice may be revoked by delivering to the co-operative a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- (3) A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- (4) If a proxy notice is not signed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointer's behalf.

### **Means of communication to be used**

- 36. (1)** Subject to the articles, anything sent or supplied by or to the co-operative under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the co-operative.
- (2) Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.
- (3) A director may agree with the co-operative that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

# **Annexe A (being a part of the Articles of Association of \_\_\_\_\_ Ltd)**

## **Statement on the Co-operative Identity**

### *Definition*

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

### *Values*

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## **Principles - The co-operative principles are guidelines by which co-operatives put their values into practice.**

**1st Principle:** Voluntary and Open Membership - Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**2nd Principle:** Democratic Member Control - Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

**3rd Principle:** Member Economic Participation - Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

**4th Principle:** Autonomy and Independence - Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

**5th Principle:** Education, Training and Information - Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

**6th Principle:** Co-operation among Co-operatives - Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

**7th Principle:** Concern for Community - Co-operatives work for the sustainable development of their communities through policies approved by their members.

## Secondary Rules of \_\_\_\_\_ Ltd

### Notes:

*Secondary rules complement your Articles and set out in more detail how your co-op will be run. They are not part of the official Articles and do not get sent to Companies House. They are an internal document and can easily be changed at a co-op meeting, without having to notify Companies House. The sample rules below are the minimum we recommend – they set out in more detail what is meant by consensus decision-making, which is quite important in case there is disagreement within the co-op. You may wish to add more information about the structure of the co-op, who membership is open to, selection and probation processes, employment and allocation of work, volunteers, more on meetings. What exactly and how much you include in your Secondary Rules is entirely up to your co-op. One example of more detailed secondary rules can be found here: [www.organiclea.org.uk/about/ethics/co-operative/](http://www.organiclea.org.uk/about/ethics/co-operative/)*

### **To use the sample secondary rules below your co-op should:**

- *decide whether to have a minimum number of work hours needed to be eligible for membership, and to change that number in rule 2);*
- *decide on a minimum number of people needed for meetings (quoracy). The model articles already set a minimum, so you only need to include rule 4) and 5) if you decide to have a higher number in the secondary rules;*
- *see the general notes above.*

### **General**

**(1)** These secondary rules are intended to complement and clarify the Articles of Association of our co-operative. They are agreed by general meeting of the co-operative and may be changed at any time by a general meeting of the co-operative.

### **Membership**

**(2)** Our Articles allow for a condition of membership to be made on a minimum number of hours worked. This prescribed number of hours shall be set at 20 hours per month. (Article 22(1)(b))

## **Policies and Procedures**

**(3)** The co-operative shall have the following policies and procedures:

- Grievance procedure
- Disciplinary procedure
- Equality Policy
- Ethical Policy

## **Meetings**

**(4)** The quorum required for a directors' meeting shall be 3 directors or 50% of the directors, whichever is greater. (Article 13(2))

**(5)** The quorum required for a general meeting shall be 3 members or 50% of the membership, whichever is greater. (Article 28(2))

## **Consensus**

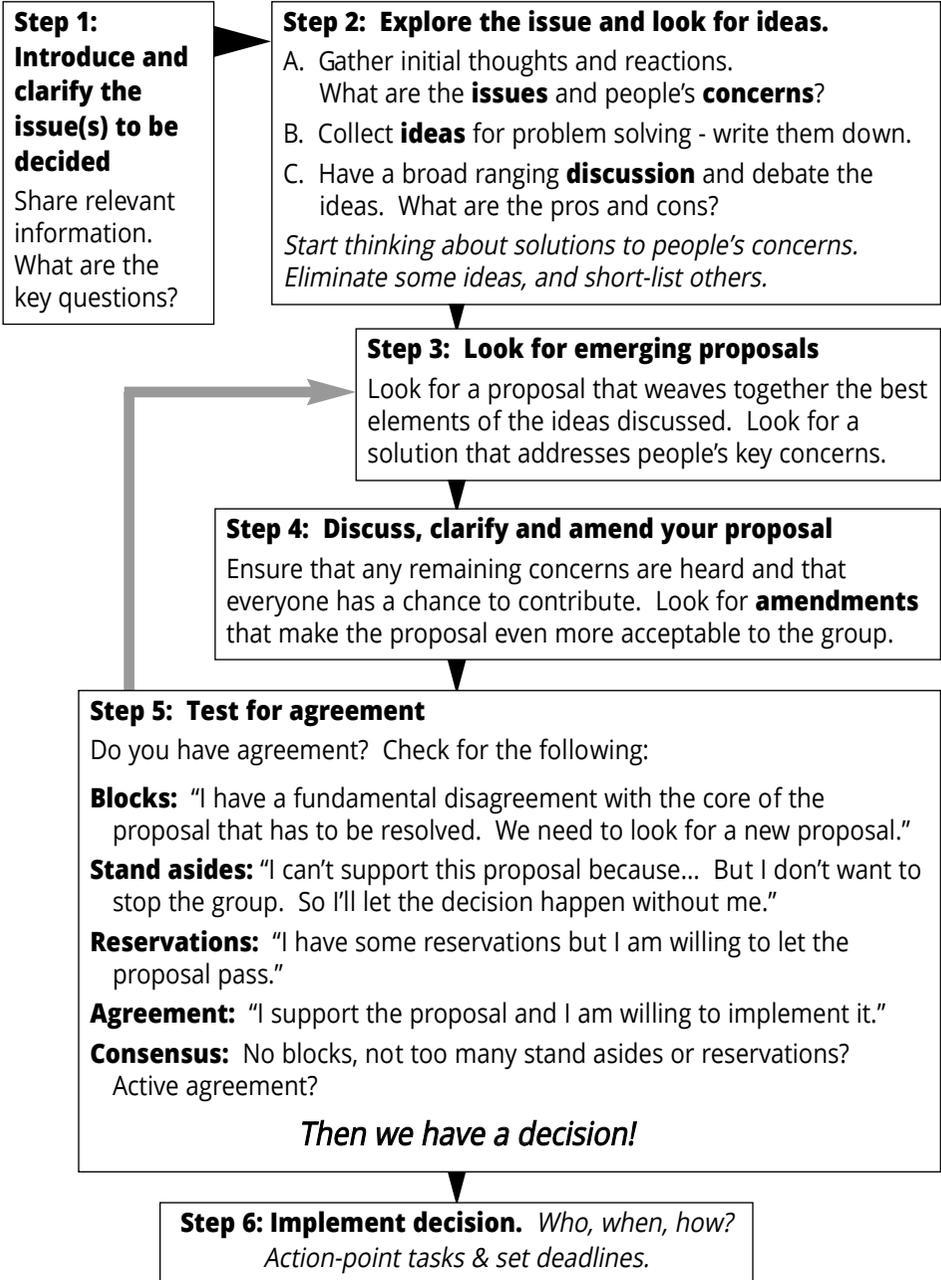
**(6)** This co-op is committed to making decisions which every member can support. Consensus is reached if every member present are in agreement on an issue, or when not in agreement agree not to maintain an objection.

**(7)** In order to use consensus members recognise that:

- They share a common goal for the co-operative.
- They are committed to reaching consensus.
- They will actively work towards building trust between members, and being honest and open with each other.
- Good decisions need to be given enough time, and rushing a decision rarely helps in the long term. As consensus and its underlying values of trust, honesty and openness are not generally practised in wider society it can take time to adjust and learn to do consensus well and efficiently.
- The running of the co-operative and its meetings requires the active participation of members.
- In order to reach consensus we need to be clear about the process we use so that we understand how we are making the decision.

**(8)** We generally use the process outlined below to reach consensus. Although not all decisions need to explicitly use this process any member may demand that the process below be followed explicitly in each of its stages.

# Consensus decision-making flowchart



# Appendix IV. Sample employment contract

## TERMS AND CONDITIONS OF EMPLOYMENT for

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This contract is a legal document conforming with the Contract of Employment Act 1972 and issued in conjunction with a job description.

### 1. Job Title and Place of Employment

The post holder will be employed by NAME OF CO-OP as a JOB TITLE and will be based at NAME OF CO-OP's offices at ADDRESS. You may be required to work elsewhere in order to carry out the duties of the post. At the discretion of the directors, you may be permitted to work from home.

### 2. Date of Employment and Probation

The employment shall be for the period of XXX months/years commencing on the DATE. The post holder will be subject to a XXX month probationary period.

### 3. Remuneration, Hours of Work and Duties

- (a) The post holder will be paid an amount of £XXX per annum gross pro rata. The post holder will be paid monthly arrears.
- (b) Full time hours of work are XXX per week. Your contract is for XXX hours per week, the days of the week and the hours of working to be agreed with the supervisor and in consultation with other members of staff.
- (c) Overtime is defined as: more than the normal number of hours of work per week stated in b) above. Overtime will not be paid but the post holder is entitled to time off in lieu. The arrangements for time off in lieu shall be made at least 24 hours in advance of time taken off in lieu, and must be made in consultation with other workers.
- (d) A written job description is attached. The post holder may be required to take on other duties within the project and the competence of the post holder as the management committee may from time to time reasonably decide.

#### **4. Leave Entitlement**

- (a) The post holder is entitled to XXX weeks annual leave, plus statutory holidays and other agreed holidays. If you are employed part-time and / or for part of the year, your leave entitlement will be calculated pro rata.
- (b) The leave year runs from 1st January to 31st December.
- (c) Leave not taken in the year may be carried forward to the following year subject to the agreement of the directors and other workers.
- (d) You will be paid any accrued leave entitlement on termination of employment and, similarly, deducted from final pay if your full year entitlement has been taken.
- (e) An employee who becomes ill during a period of annual leave will be regarded as on sick leave from the date of the employee's self or doctor's certificate provided that the sickness has been notified as soon as possible. Further annual leave will be suspended from the date of the certificate.

#### **5. Special Leave**

You are entitled to apply for leave on compassionate or other grounds, which may be granted at the discretion of the Directors. Special leave will be paid at the discretion of the Directors.

In the case of Jury Service, you should inform the supervisor on receipt of the summons. Leave will be granted with pay but you must ensure that you claim an allowance for loss of earnings from the Court and pass this to NAME OF CO-OP.

#### **6. Sickness and Injury**

- (a) If the post holder is prevented from attending work through accident or illness, the post holder should notify the supervisor or the management committee as soon as possible.
- (b) If you are absent for more than four and less than seven days you are required to fill in a self-certification form to be provided by the employer.
- (c) If the post holder is absent for more than five working days the post holder should notify the supervisor of the probable duration of the post holder's illness.
- (d) After seven days the post holder should obtain a doctor's statement and send it to the supervisor. The post holder should forward any subsequent statement in the same way.

#### **7. Sickness Benefit**

You will be paid your normal remuneration (less any statutory sick pay or Social Security sickness benefit to which you may be entitled) subject to the ability of the co-op to maintain this level of remuneration.

## **8. Termination of Services**

- (a) The post holder may resign by giving four weeks' notice in writing of the intention to terminate employment. The requirement for notice to be given by the employee may be waived at the discretion of the Directors.
- (b) NAME OF CO-OP may terminate the employment by giving four weeks' notice in writing.

## **9. Grievance and Disciplinary Procedures**

Grievance and Disciplinary procedures are set out in a separate document which is available to the post holder.

## **10. Equal Opportunities**

The post holder will be required to adhere to the Equal Opportunities Policies operated by the NAME OF CO-OP.

## **11. Health and Safety**

NAME OF CO-OP operates a Health and Safety policy and the post holder is required to be aware of this policy and to act accordingly.

## **12. Trade Unions**

It is the intention of the Directors to conduct their affairs in an open manner and to engage in full discussion and consultation with all staff over any matters involving terms and conditions of employment, working conditions or other issues.

The Directors have not formally recognised any Trade Union for the purposes of any aspect of collective bargaining in individual issues. The Directors do however encourage members of staff to become members of an appropriate Trade Union and willingly accepts that members of staff may wish to be represented or accompanied by a Trade Union Officer in any of their dealings with the Directors.

Signed  
(on behalf of NAME OF CO-OP)  
Dated

Signed  
(the Employee)  
Dated

# Appendix V. Sample Grievance and Disciplinary Procedures

## **NAME OF CO-OP Grievance Procedures**

NAME OF CO-OP Ltd (in this document called “the co-op”) recognises that both volunteers and members may at some point wish to seek redress for a grievance relating to their work. Volunteers and members are encouraged to use the procedure outlined below to bring about a satisfactory solution to their problems.

This procedure should be used for all grievances arising from voluntary work as well as employment, except for issues relating to contractual terms of employment, job description and appeals against disciplinary action.

All members and volunteers have the right to be accompanied by a person of their choice at all meetings arranged to discuss the grievance. At all stages of the procedure, the party who feels aggrieved has the right to state their case. Notes should be taken and copies agreed by all parties. Anyone disagreeing with the notes may require this to be recorded in those notes.

\* The co-op support group is made up of individuals who are supportive of the co-op and are familiar with its way of working and making decisions. This group shall be appointed by a general meeting of the co-op.

## **Stage 1**

If you feel you have cause for complaint in relation to any aspect of your work you should first discuss this with the person responsible for members’ welfare. If this is not appropriate, or nobody is currently formally responsible for members’ welfare you may approach any other member of the co-op or the co-op support group\*. You may make the complaint either verbally or in writing. A meeting will be arranged between yourself and the person responsible for members’ welfare (or as appropriate any other member of the co-op or the co-op support group) as soon as possible. If the matter is not resolved to your satisfaction you may proceed to Stage 2 of the Grievance Procedure. If a group of volunteers and/or members share a grievance they can start the procedure at Stage 2.

## **Stage 2**

If the matter is not resolved to your satisfaction you may refer the grievance to the full meeting of the co-op. The matter will be minuted, along with any decisions taken. The minutes will be made available to you, and any disagreements with the minutes will be noted in those minutes.

### **Stage 3**

If you are still not satisfied with the decision or agreed action you may request that your grievance is reconsidered by a full meeting of the co-op. Arrangements will be made to consider the grievance by the meeting within fifteen days (unless there are significant reasons why this cannot happen within fifteen days, in which case it will happen as soon as possible). You will have the right to state your case and to be accompanied by an advisor of your choice. The matter will be minuted, along with any decisions taken. The minutes will be made available to you, and any disagreement with the minutes will be noted.

Note for paid members: This Grievance Procedure forms part of your Terms and Conditions of Employment and should be appended to your Contract.

## **Disciplinary Procedure for members of NAME OF CO-OP Ltd**

Generally recourse to formal disciplinary procedures should only be taken once all reasonable efforts have been made to remedy such difficulties by informal means. The verbal warning is the first stage of the disciplinary procedure and should not be confused with informal discussion stages. It is the view of NAME OF CO-OP Ltd (in this document called "the co-op") that an informal approach taken at an early stage will prove more productive and less problematic than taking steps once a problem has become serious.

If after a reasonable time a particular strategy has not remedied the situation or in the case of more serious misconduct it is proper for the co-op to invoke the formal disciplinary procedure as outlined below.

### **General Notes**

If a member is charged with, or convicted of, a criminal offence not related to work, this is not in itself reason for disciplinary action. Similarly, a member should not be dismissed solely because they are absent from work as a result of being in custody or at court appearances.

### ***Procedure applicable to formal meetings within the disciplinary process***

The following procedure will apply to all formal meetings (i.e. not the Informal Discussion stage) within the disciplinary process.

The person responsible for members' welfare, or another person appointed by a general meeting (for example a probationary member's mentor) will invite the individual concerned to discuss the situation at a formal meeting. Other than the member subject to the disciplinary process at least two other members shall be present at this meeting.

The member concerned will be given at least one week's notice and the letter or note or email should contain enough information for the individual to be able to understand both what it is they are alleged to have done wrong and the reasons why this is not acceptable, and any documents that will be used at the meeting should be included or otherwise made easily available. The time and place should ideally be agreed with the member, and if this is not possible it should be at a time and place where it can be reasonably expected that the member will be able to make.

At all meetings the member concerned is entitled to be accompanied by a person of their choice. The member should be given the opportunity to ask questions and present evidence.

A member who cannot attend a meeting should inform those responsible for organising the meeting in advance whenever possible. If the member fails to attend through circumstances outside their control and unforeseeable at the time the meeting was arranged (e.g. illness) another meeting should be arranged. A decision may be taken in the member's absence if they fail to attend the re-arranged meeting without good reason.

If a member's companion cannot attend on a proposed date, the member can suggest another date so long as it is reasonable and is no more than five working days after the date originally proposed. This five day time limit may be extended by mutual agreement.

Where applicable the member will be informed of the consequences of failure to improve.

Written records of proceedings should be kept for a period in accordance with the co-op's data protection policies. Copies should be provided to the member in question. Records should include:

- the complaint against the employee, including any evidence of misconduct;
- the employee's defence;
- findings made and actions taken;
- the reasons for actions taken;
- whether an appeal was lodged;
- the outcome of any appeal;
- any grievances raised during the disciplinary procedure; and
- subsequent developments.

At each stage the right to appeal shall be given within one month of the meeting. The appeal will be heard by general meeting of the co-op within fifteen working days of the appeal being made and the appellant will be given at least ten working days notice of the meeting. The member is entitled to be accompanied by a person of their choice.

The meeting may decide:

- a) to uphold the disciplinary measure;
- b) to uphold part of the measure but vary some of the conditions imposed, so long as such variation does not result in more severe conditions than originally set;
- c) to reject the measure.

### **Stages of the Disciplinary Procedure**

The normal expectation is for a discipline case to progress through the following levels. In cases where misconduct or unsatisfactory performance is considered to be serious then the procedure may begin at later stages. Guidance on which stage to begin is provided at the end of this document – this is intended to provide advice, and is neither comprehensive nor binding, and the meeting may decide that a different response is appropriate.

#### ***Informal Discussion***

In cases of minor offences or faults in working standard the individual concerned will be invited to discuss the situation informally. This would not be regarded as disciplinary action and would be seen as a process of constructive criticism. A note should be taken to show that the discussion has taken place in order to assist assessment of whether the case should be referred to the next stage if the minor offences or faults continue.

#### ***Verbal Warning***

If there appears to be a persistent problem then a formal meeting will be held to consider whether a Verbal Warning should be given.

If at that meeting it is considered that action is reasonable and justified then a formal Verbal Warning will be issued.

A Verbal Warning will normally take the form of a reprimand specifying the standard of behaviour expected in the future, and the time period in which it should be achieved, along with a date on or near which the situation will be reviewed.

A record of the Verbal Warning should be kept for a period specified at the meeting (usually nine months), but should normally be disregarded for disciplinary purposes after this period has expired, unless the case is ongoing.

#### ***Written Warning***

If there is no improvement within the specified time, or the case is serious enough to warrant the disciplinary process beginning at this stage then a formal meeting will be held to consider whether a Written Warning should be given.

If at that meeting it is considered that action is reasonable and justified then a formal Written Warning will be issued.

A Written Warning will normally take the form of a letter, stating the reasons for the warning, the action which must be taken to put things right, (including the type of assistance or re-training the co-op may be able to offer), the time in which these matters must be put right and informing the individual of their right to appeal.

A record of the Written Warning should be kept for a period specified at the meeting (usually nine months), but should normally be disregarded for disciplinary purposes after this period has expired, unless the case is ongoing.

### ***Final Written Warning***

If there is no improvement within the specified time, or the case is serious enough to warrant the disciplinary process beginning at this stage then a formal meeting will be held to consider whether a Final Written Warning should be given.

If at that meeting it is considered that action is reasonable and justified then a Final Written Warning will be issued.

A Final Written Warning will normally take the form of a letter, stating the reasons for the warning, the action which must be taken to put things right, (including the type of assistance or re-training the co-op may be able to offer), the time in which these matters must be put right and informing the individual of their right to appeal. The letter shall also inform the member that the failure to improve, or persistence in a course of action, will lead to dismissal.

A record of the Final Written Warning should be kept for a period specified by the meeting (usually twenty four months), but should normally be disregarded for disciplinary purposes after this period has expired, unless the case is ongoing.

### ***Dismissal***

If the member does not meet the required standard set out in the Final Written Warning, or the case is serious enough to warrant the disciplinary process beginning at this stage then a formal meeting will be held to consider whether the individual should be dismissed.

If at that meeting it is considered that action is reasonable and justified then a member may be dismissed and cease to be a member of the co-op. If the formal meeting does not constitute quoracy (as defined for General Meetings by the co-op's Articles of Association) then the decision to dismiss the member must be ratified by a General Meeting before dismissal can take effect. Reasons for dismissal will be given in writing. The member concerned will be given at least one week's notice.

## Examples of misconduct and suggested stages to begin proceedings

<b>Example of misconduct</b>	<b>Suggested stage to begin proceedings</b>
<p>Unsatisfactory work performance</p> <p>Poor timekeeping</p> <p>Unexplained occasional absence</p> <p>Repeated or serious failure to follow instructions</p> <p>Not abiding by agreements made at co-op meetings</p> <p>Not abiding by the ethical and equality policies</p> <p>Breach of Constitution</p> <p>Breach of the Principles and Values of the Co-operative Movement</p>	<p>Verbal Warning</p>
<p>Rudeness to someone whom the co-op is providing services</p>	<p>Written Warning</p>
<p>Serious incapability at work brought on by alcohol or drugs not taken for medical purposes</p>	<p>Final Written Warning</p>
<p>Theft or fraud</p> <p>Physical violence, bullying, harassment or victimisation</p> <p>Deliberate and serious damage to co-op or client property</p> <p>Serious misuse of the co-op's property or name</p> <p>Unlawful discrimination or harassment</p> <p>Bringing the co-op into serious disrepute</p> <p>Causing loss, damage or injury through serious negligence</p> <p>A serious breach of health and safety rules</p> <p>A serious breach of confidence</p> <p>Unwillingness to work by consensus/take part in the running and decision-making of the co-op</p> <p>Unwillingness to co-operate</p>	<p>Dismissal</p>

# Appendix VI. Sample accounts for Companies' House (for limited companies)

Companies and LLPs need to send their accounts to Companies House at the end of each financial year. These accounts are a snapshot of the company's finances at the end of the financial year. There are set rules about what the sample accounts need to contain at a minimum. For small companies you only need to supply abbreviated accounts, which are a balance sheet with the financial information plus a directors' statement that you are exempt from auditing. You must follow the exact wording of the director's statement for your accounts to be valid. You can also submit your accounts by filling in an online form. For more information see the Companies' House website.

Co-operative Societies (or Industrial and Provident Societies) must also submit their annual accounts to their regulator. This happens at the same time as the annual return and there is a form to download and fill in on the regulator's website. There are also audit exemptions for co-operative societies, however they can only be applied if your constitution allows you to do this and your membership has agreed the audit exemption at a meeting.

Please note the accounts opposite are an example, yours may well look slightly different.

Company Registration Number: **123456**  
**Superheroes Anonymous Limited**  
 Abbreviated Accounts for the financial year 01.04.10 to 31.03.11  
**Balance Sheet**

**Explanatory notes: do not include in official accounts**

Fixed Assets	<b>2300</b>	Fixed assets are assets that are held on a continuing basis including things like buildings, land, desks, computers, machinery plus long term investments.
Fixed Assets - Restricted	<b>1500</b>	There may be restrictions on the disposal of assets - such as a charge by a lender on property or by a funder. For example if a funder paid for a minibus for a specific project you may not be able to turn this minibus into cash to pay for something else before the end of the funding project.
Total Fixed Assets	<b>3800</b>	Fixed Assets plus restricted Fixed Assets.
Current Assets	<b>7545</b>	All assets available for spending: money (in bank accounts and in petty cash), debtors (money owed to you by others) plus any stock (counted and valued at end of year).
Current Assets - Restricted	<b>0</b>	Usually any money from grants not yet spent.
Total Current Assets	<b>7545</b>	Total of current assets and restricted current assets.
Creditors	<b>1420</b>	Also called current liabilities. This is all the money you owe to others: bank loans, overdrafts, loanstock, business creditors, unpaid bills etc.
Net Current Assets	<b>6125</b>	Current assets minus creditors.
Total Assets Less Current Liabilities	<b>9925</b>	Total assets (current plus fixed) minus any debts you have (creditors).
Capital + Reserves	<b>11350</b>	Shares held in your co-op by members (5 shares at £1 in this example) plus total assets.
Income & Expenditure a/c	<b>7545</b>	The balance of your income and expenditure account - this should be equal to your bank balance(s) plus petty cash balance at the end of your financial year.
Capital	<b>5</b>	Shares held in your co-op by members.

For the year ending 31.03.2011 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Director's responsibilities:

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Director's Signature

Date

## Appendix VII. Sample accounts for HMRC (for limited companies)

These are sample accounts, which companies need to send to HMRC at the end of each financial year. There are set rules about what the sample accounts need to contain. For small companies you only need to supply a financial statement and a directors' statement that you are exempt from auditing (sample of both below).

For more information see the HMRC website.

Co-operative Societies (or Industrial and Provident Societies) need to send similar accounts to HMRC. For details check with HMRC.

<b>Superheroes Anonymous Ltd, Company Regn. Number: 123456</b>		
Statement of Financial Activities		
Accounting Period 01 April 2010 to 31 March 2011		
<b>Income and Expenditure</b>		
<b>Explanatory notes: do not include in official accounts</b>		
Restricted Income	800	Income over the past financial year that must be spent on specified items, such as grant funding to buy certain equipment or run courses.
Traded income	34575	Income from trading activities over the past financial year.
Interest	125	Any interest you have received, e.g. from savings accounts.
<b>Total Income</b>	<b>35500</b>	
Total Expenditure	30455	Total expenditure in this financial year.
<b>Net Income</b>	<b>5045</b>	Total income minus total expenditure.
Total Funds Brought Forward as Previously Stated	2500	The total funds carried forward from previous financial year (i.e. bank balance(s) plus petty cash balance at the end of the previous financial year).
<b>Total Funds Carried Forward</b>	<b>7545</b>	'Net income' plus 'total funds brought forward as previously stated'.

## Balance Sheet

*(This is the same as the balance sheet you need to send to Companies' House in Appendix VI. For explanation of terms see appendix VI)*

	Year End 31/03/2011	Year End 31/03/2010
Fixed Assets	<b>2300</b>	2600
Fixed Assets - restricted	<b>1500</b>	1300
Total Fixed Assets	<b>3800</b>	3900
Current Assets	<b>7545</b>	2500
Current Assets - restricted	<b>0</b>	0
Total Current Assets	<b>7545</b>	2500
Creditors	<b>1420</b>	950
Net Current Assets	<b>6125</b>	1550
Total Assets Less Current Liabilities	<b>9925</b>	5450
Capital + Reserves	<b>11350</b>	6405
Income & Expenditure a/c	<b>7545</b>	2500
Capital	<b>5</b>	5

For the year ending 31.03.2011 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Director's responsibilities:

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The directors have approved the annual accounts above.

Director's Signature

Date

## Appendix VIII. Glossary

**Annual Accounts:** the accounts prepared at the end of an organisation's financial year – usually a Balance Sheet and Profit and Loss Accounts. (See entries).

**Articles or Articles of Association:** the constitution of a company.

**Balance Sheet:** a snapshot of the organisation's finances, usually taken at the end of the financial year. Small companies may file an abbreviated balance sheet (which shows much less information) with the regulator. See also: Profit and Loss Account; Income and Expenditure Account.

**Board of Directors:** the management committee elected by members.

**Bye-laws:** the same as Secondary Rules. (See entry).

**Cash-flow Forecast:** a cash-flow forecast predicts how much money will be coming in and going out – including where it's coming from and going to. Forecasts are usually for one month or one year, but can be for any time period.

**Chair or Chairperson:** presides over and directs any meetings.

**Charity:** an organisation set up exclusively for charitable purposes and governed in accordance with charity law.

**CIC:** see Community Interest Company.

**Collective Management:** all members are responsible for the management of the co-op, and are often all appointed as directors too.

**Common Ownership:** an organisation is in common ownership if, on dissolution, the assets aren't distributed among members, but passed on to a similar organisation. The name comes from the idea that the organisation is owned in common, or commonwealth (i.e. by society generally). Organisations describing themselves as non-profit should have a common ownership clause. See also Co-ownership.

**Community Interest Company:** a company (limited either by shares or guarantee) that has a community benefit. This is a legal form with its own restrictions and rules set by the regulator.

**Constitution:** the legal document setting out how your co-op is to be governed (also called a Governing Document). It is binding on all members and usually includes things such as your aims, how decisions are made, how often there should be a general meeting and how to wind up your co-op. Depending on your legal form your constitution will have a different name: companies have Articles of Association, Co-operative Societies have rules and partnerships (including LLPs) have a Deed of Partnership or Partnership Agreement. In this handbook we generally talk about constitutions and mean any of these.

**Co-operative:** democratic enterprise owned by the members. These may be employees, consumers or other stakeholders. They are governed in accordance with the co-operative principles and values.

**Co-operative Development Body (CDB):** often also called Co-operative Development Agency (CDA). Organisation that supports co-ops, particularly during set up.

**Co-operative Principles and Values:** the seven internationally agreed co-operative principles and the co-operative values define what makes an enterprise a co-operative and describe the way it works. You can find these in Chapter 2.

**Co-operative Society:** a legal form for co-operatives which has limited liability but is registered and regulated differently from companies. Used to be registered as Industrial & Providential Societies. (See entry).

**Co-ownership:** an organisation is in co-ownership if its members jointly own the assets. On dissolution the assets are divided among members (and often recent members too), often in proportion to each member's transactions with the co-operative. See also Common Ownership.

**Demutualise:** the process of converting a mutual organisation to a profit-making business.

**Designated Member:** in an LLP a designated member is registered with Companies House as taking on similar responsibilities as a director of a company. All partners in an LLP can be designated.

**Director:** person appointed by a company or Co-operative Society (and some other legal bodies outside the scope of this book) and registered with the regulator as being responsible for the running of the company or Co-operative Society.

**Entrenched:** Entrenching an article in your company's Articles of Association (constitution) means that you put a condition on any changes, for example, alterations need to be agreed by a large majority or even unanimity of current members.

**General Meeting:** a meeting open to all members of the co-op where decisions can be made.

**Governing Document:** see Constitution.

**Income and Expenditure Account:** the Profit and Loss Account for a non-profit organisation. See also Profit and Loss Account; Balance Sheet.

**Incorporation:** A body which is incorporated has a legal identity that is distinct from its members – a 'corporate body'. The business becomes a legal body in itself, able to hold property and sign contracts in its own right.

**Industrial & Provident Society (IPS):** an extinct legal form now replaced by Societies for the Benefit of the Community (BenComs) and Co-operative Societies (Co-ops).

**IPS:** see Industrial & Provident Society

**Joint Liability:** all members are liable for any losses or claims against the business. The liability isn't necessarily equal, but each member must pay according to their ability.

**Legal Form:** in the eyes of the law, what type an organisation is, for example company or Co-operative Society.

**Legal Structure:** the framework of an organisation. A legal structure combines the organisation's legal form and its governing document – the constitution, rules, articles or partnership deed.

**Liability:** financial and legal responsibility for losses and claims against a business, see Joint Liability and Limited Liability.

**Limited Liability:** a corporation has limited liability if members' responsibility for any debts of the co-op are limited to the amount of money they have put into the business either through guarantees or shares. Often this is just a token amount of £1, but it can be a lot higher if members invest in the business through buying shares. To have limited liability your co-op will need to be registered as a company, a Co-operative Society or an LLP.

**Limited Liability Partnership:** a partnership that, although not a company, still has limited liability – members are only liable for the amount they have invested in the partnership.

**LLP:** see Limited Liability Partnership.

**Loanstock:** investment taken for a specific purpose, at a specific rate of interest and at a specific time, maturing on a set date. Unlike shares in companies, investors do not have any vote in the co-op or any formal say in how it is run.

**Memorandum of Association:** used to be part of the constitution of companies, but since the Companies Act 2006 the Memorandum is just a form used when setting up a company.

**Mutual:** a mutual organisation is owned by its members and only trades with its members. In the case of a workers' co-op the 'trade' referred to is the exchange of labour for wages that happens between the co-op and its workers. Co-operatives are just one form of mutual, for example some building societies are also mutual.

**Non-profit, not-for-profit:** an organisation which does not generally distribute surpluses/profits to shareholders or members annually or the collected assets at the end of its life. Surpluses/profits are usually reinvested in the organisation or distributed to other organisations or the community.

**Officer:** an office holder in an incorporated body, such as Secretary, Treasurer, Chair or other directors or committee members.

**Profit and Loss Account:** a summary of the business' transactions, usually over a year. It shows income, sales and expenditure as well as calculating the profit (or loss) for that period. See also: Income and Expenditure Account; Balance Sheet.

**Regulator:** the government body set up to register and oversee the various incorporated business forms. Companies House looks after companies and LLPs, while the FCA regulates Co-operative Societies.

**Rules:** the constitution of a Co-operative Society is called 'the Rules'.

**Secondary Rules:** named after the constitution of a Co-operative Society, also called bye-laws, the secondary rules are your own 'internal' rules. These are ones that are likely to change during the life of the co-op, or cover the kind of detail that you don't need to be telling your regulator about.

**Social enterprise:** a business with mainly social and/or environmental aims. Often, but not always non-profit.

**Secretary:** the person in an organisation responsible for dealing with the paperwork of meetings (giving notice of meetings, making sure minutes are kept), the accounts and membership lists.

**Sponsor / Sponsoring Body:** an organisation that has registered one or more sets of rules for a Co-operative Society with the regulator. They are then able to make these model rules available to others for cheaper registration.

**Surplus:** Normal businesses exist to generate profits, but co-operatives exist to provide decent services and decent work, so we call the difference between income and expenditure 'surplus'. However, your accountant may not see it that way and will probably always call it profit!

**Treasurer:** the person responsible for keeping an overview of the financial situation, staying on top of accounts and petty cash.

**Wind up:** to dissolve a partnership or corporation and use its assets to pay any outstanding debts.

**Withdrawable Shares:** a Co-operative Society may issue withdrawable shares. These are in addition to the standard share that each member holds. They cannot be traded, but must be sold back to the co-op if the shareholder no longer wishes to hold them.

**Workers' Co-op:** a co-operative in which only workers may be members.

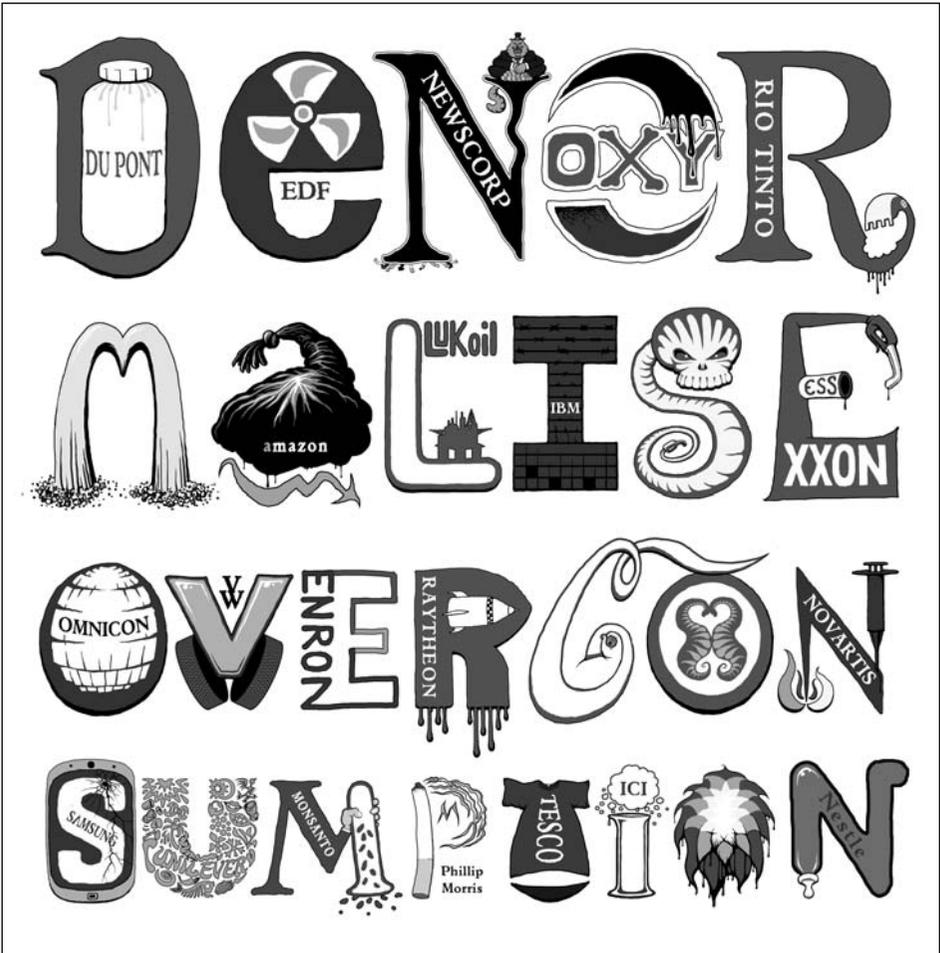


Illustration by Shtiggy





*Tending strawberries  
Photo: Organiclea*

## Why set up a Workers' Co-op?

**Taking control of our own lives is the first step in the fight against the massive injustices and environmental devastation in our world. Big companies and unaccountable governments may rule the world, but it doesn't have to be this way.**

Workers' co-ops give us a way to reclaim a small but significant part of the world. They're one way to reclaim most of our waking hours – our working lives. In this book you'll find lots of information you need to set up your workers' co-op, including organising your workplace, ways of making decisions, choosing the right legal form, business planning along with info on tax, insurance and other such details.

The focus is on workers' co-operatives, but other trading co-ops and ethical businesses will also find much useful information.

For more information or to find out what else we do please get in touch:

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